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HOUSING ELEMENT

OF THE
GENERAL PLAN
OF
SANTA CLARA
COUNTY





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GENERAL PLAN
OF
SANTA CLARA
COUNTY

Adopted by the County of Santa Clara Board of Supervisors, October 31, 1973

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GLOSSARY OF TERMS

elderly—as used within the report in relation to housing programs, persons 62 years of age and older, or households headed by a person 62 years of age or older.

family income—income earned by a family, defined as persons related by blood, marriage or adoption, living together.

household income—income earned by persons who share a housing unit, persons in a household need not be related.

housing development corporation—a private corporation organized to assist the development of housing, particularly for low-and moderate-income households, by means of direct sponsorship, provision of seed money and technical assistance, land banking and write-downs, and actual development, generally utilizing federal or State subsidy programs.

Housing Element—an element of a General Plan, required by State law for all counties, general law cities and charter cities. A housing element includes housing goals, statements of current problems and obstacles, and policies and proposals to improve housing conditions.

low-income—as used in this report, low-income families and individuals are those qualifying for assistance under the federal Public Housing Program. Maximum incomes to qualify for Public Housing range from \$3750 for one person to \$7250 for a family of 8 or more. A family of four earning \$5250 would similarly qualify as low-income for Public Housing purposes. Table 10 provides a complete list of these income limits by family size.

minorities—the Census definition of minority racial and ethnic population groups is used in this report. The Census defines minorities to include persons of Spanish Language or Spanish Surname, Negroes, Japanese, Chinese, Filipinos, American Indians, Hawaiians, Koreans, and Other.

moderate-income—as used in this report, moderate-income families and individuals are those eligible for housing subsidies under the Section 236 and 235 programs. The range of maximum net annual income for eligibility under these programs is approximately \$5,000-10,000 per year. A complete table of these net incomes, including other conditions of eligibility, is shown on page 44 (Table 12).

overcrowded housing—housing units having more than one person per room (excluding kitchen, hallways and bathroom).

poverty—income status lower than a federally established standard based on family size and other family characteristics in relation to income. As an example, the poverty threshold for a non-farm family of four was \$3743 in 1970. Only part of the households classed as low-income in this report have incomes below the poverty level. (See definition of low-income.)

public housing—housing for low-income families and individuals (see definition of low-income), owned and operated or leased by a Local Public Housing Authority, pursuant to the United States Housing Act of 1937. In Santa Clara County, public housing refers to units provided by the Housing Authority of Santa Clara County and the San Jose Housing Authority.

rent supplement—an additional subsidy available to low-income families and individuals occupying subsidized moderate-income rental housing built under the Section 221 (d)(3) and Section 236 programs. For each qualified household, the rent supplement payment is equal to the difference between the rent charged for the housing unit and 25 percent of that household's income.

Section 221 (d)(3)—a federal subsidy program to expand the supply of rental housing affordable by low- and moderate-income families and individuals. There are two types of 221(d)(3) developments. 221(d)(3)BMIR (below-market interest rate) serves moderate-income households. The 221(d)(3) Rent Supplement Program serves low-income households. (See definition of rent supplement.) 221(d)(3) has largely been phased out of use, in favor of the Section 236 rental program.

Section 235—a federal subsidy program to aid individual moderate-income households in purchasing new and existing housing. The program subsidizes the mortgage interest on moderately priced housing units purchased by qualified households. Depending on income, the home-purchaser pays between one and six percent interest on his mortgage. No more than twenty percent of the units in any development may be sold with 235 subsidies, in order to obtain some degree of income mix.

Section 236—a federal subsidy program serving primarily moderate-income families and individuals. The form of the subsidy is a reduced mortgage interest rate, which enables the project sponsor to set lower rents than would be possible with market-rate financing.

unincorporated area—area lying outside the corporate limits of any city, and hence under the sole jurisdiction of the County as a general purpose government.

INTRODUCTION

STATE AND FEDERAL MANDATES FOR HOUSING ELEMENTS

The Housing Element of the County of Santa Clara is intended to satisfy the mandates of both the State of California and the Federal Government for local housing planning.

The State requirements for housing elements, as contained in the Government Code Sections 65302 and 65303, require all counties, general law cities and charter cities to develop housing elements as part of their general plans. Under this State requirement, a housing element is to consist of "standards and plans for the improvement of housing and for provision of adequate sites for housing. This element of the plan shall make adequate provision for the housing needs of all segments of the community." The State law further specifies that the State Department of Housing and Community Development shall establish guidelines for reviewing local housing elements. The Housing Element of the County of Santa Clara is intended to meet these State requirements and guidelines.

The federal mandate for housing elements was established in 1968 as a requirement of the Certified Workable Program and as a prerequisite to funding certain other grant-in-aid programs. The Housing Element of the Santa Clara County General Plan is intended to satisfy these requirements.

HOUSING PLANNING IN SANTA CLARA COUNTY

Santa Clara County is a significant housing market within the San Francisco Bay Area. Recognizing the importance of this housing market, the County has taken a leadership position in developing housing planning in the region, in coordinating housing planning between the cities within the County, and in seeking broad citizen involvement in the determination of housing planning policies.

In November 1972, the Board of Supervisors of Santa Clara County adopted a resolution urging the Association of Bay Area Governments to "assume leadership in and responsibility for developing a regional housing element which distributes low- and moderate-income housing equitably throughout the nine counties of the bay area."

Within the County, there has been a high level of coordination in planning for housing through the Joint Cities-County Housing Element Program of the Planning Policy Committee. The joint housing element program was initiated in 1969 in recognition of the countywide nature of housing problems and the need for a unified approach to the resolution of these problems. Through its studies and recommendations, the joint

program has provided a basis for the development of housing elements for the County and the fifteen cities within the County. Based upon the work of the joint program, in May, 1971, the Planning Policy Committee adopted *The Joint Housing Element: 1971* as the basic countywide statement of housing goals and policies. The goals and policies of the Joint Housing Element have been incorporated into the County Housing Element, and the numerous reports of the Joint Cities-County Housing Element Program are considered as background material for the Housing Element of Santa Clara County.

Citizen participation in the formulation of countywide goals and policies for housing has been encouraged through the Housing Advisory Committee of the countywide Planning Policy Committee and through the broad distribution of housing materials developed under the Joint Cities-County Housing Element Program.

RELATIONSHIP OF THE HOUSING ELEMENT TO OTHER PLANNING POLICIES

The Housing Element provides general guidance for development decisions in the same manner as other elements of the General Plan and is consistent with the other adopted elements of the plan. The Housing Element serves two distinct purposes—to focus upon countywide housing issues and to guide decisions affecting the unincorporated territory.

The first purpose of the Housing Element is to examine housing problems in the County and to establish goals, policies, and programs to benefit residents throughout the County by improving the housing situation. The second purpose of the Housing Element is to give guidance to residential land use decisions in the unincorporated area. Because of this dual function, the Housing Element has been divided into chapters devoted to the countywide housing concern (Chapter II, "Goals," and Chapter III, "The Countywide Housing Situation.") and a chapter devoted exclusively to the unincorporated area (Chapter IV, "Housing in the Unincorporated Area").

The Housing Element is intended to offer general policy guidelines, with recommendations for specific action programs. In this way, it can serve as a vehicle for attacking immediate housing problems while also meeting long range objectives. Unlike many other elements of the General Plan, the Housing Element is focused to a high degree on short-range problems and objectives. This approach is necessitated by the extremely dynamic nature of housing and the housing market. To keep the Housing Element in step with changes in housing conditions, periodic updating will be necessary.



GOALS AND OBJECTIVES

The State of California has identified three goals of a housing element. These goals are:

To promote and insure the provision of adequate housing for all persons regardless of income, age, race, or ethnic background.

To promote and insure the provision of housing selection by location, type, price and tenure.

To promote and insure open and free choice of housing for all.

The primary goals for housing in Santa Clara County are:

Decent housing for all persons, regardless of age, income, race or ethnic background.

A sufficient variety of housing opportunities to permit individual choice of housing location, type, price and tenure.

A suitable, attractive residential environment for all persons.

To achieve these goals, the County of Santa Clara adopts the following set of objectives:

To stimulate housing production adequate to meet new demand and replacement needs, consistent with community growth goals.

To facilitate the elimination of housing deficiencies and the prevention of future blight through conservation, new construction, rehabilitation and removal.

To facilitate the provision of safe, sanitary, standard housing to accommodate families and individuals disadvantaged in the housing market.

To support efforts to reduce the cost of housing for low- and moderate-income families and individuals.

To eliminate discrimination in the sale or rental of housing.

To provide for adequate, accessible public facilities in all residential areas.

To plan for balanced urban development offering varied housing and employment opportunities, transportation, open space and public facilities in all communities in the urban area of the County.

To encourage and facilitate the annexation of developed unincorporated residential areas by adjacent cities.



THE COUNTYWIDE HOUSING SITUATION

HOUSING SUPPLY AND DEMAND

Factors in Housing Demand

Demand for housing is related to the rate of population growth, to household size, and to household income. Each of these factors influences how much housing is needed by the population and indicates the types of housing units that should be developed to meet these needs. Because housing production must keep abreast of demand it is important to review periodically trends in the factors which shape demand. With this information, decisions affecting housing production can be made in a manner that supports well-balanced, properly timed development in keeping with community goals and needs.

Population Growth

In marked contrast to an average annual increase of 45,000 inhabitants during the 1960's, approximately 25,000 persons have been added to the population each year since 1969. During the 1960's in-migration far outweighed natural increase as a factor in population growth. Although natural increase has remained at 12,000-15,000 persons per year since 1960, in several years in the 1960's natural increase accounted for as little as one-fourth of the County's new residents. Currently, however, natural increase accounts for over half the total annual population increase.

The 1970 Census population count for Santa Clara County was 1,067,000; the estimated April 1972 population was 1,114,000 showing a net increase of 47,000 persons in the two-year interval.

Household Size

The following table shows the household composition by household size for Santa Clara County in 1970.

TABLE 1
Number of households, by household size, by tenure, Santa Clara County, 1970

		Persons per Household						
Tenure Type	Total	1	2	3 & 4	5	6+	Median	
Owner Occupied:	Number	199,177	16,136	49,858	78,040	29,298	25,845	3.5
	Percent	100%	8%	25%	39%	15%	13%	—
Renter Occupied:	Number	123,605	32,882	38,752	36,741	7,721	7,509	2.2
	Percent	100%	27%	31%	30%	6%	6%	—
Group Quarters	23,414	—	—	—	—	—	—	—

Source: 1970 Census of Population and Housing

Santa Clara County is a major housing market with more than 1,100,000 people needing more than 340,000 housing units.

Table 1 indicates that the large majority of households with three or more members are homeowners; 133,200 such families are homeowners, while 51,900 are renters. One person households, on the other hand, are twice as likely to be renters. The table shows that homeowner-households tend to be larger than renter-households (3.5 versus 2.2 persons). For all households, the median number of persons is 3.2.

Income Characteristics

The median income of households in Santa Clara County reported in the 1970 Census was \$11,539. The median family income was \$12,453.¹ Based on these income figures, Santa Clara County is the twenty-fifth wealthiest county in the United States. Only Marin and San Mateo Counties in the Bay Area report higher median family incomes. Despite this general level of affluence, the 1970 Census showed that seventeen percent of the households residing in the County earned less than \$5,000. Table 2 provides a breakdown of household income by household size for 1970.

TABLE 2
Income of households, by size, Santa Clara County, 1970

Household Size	Income Range							
	Total Number of Households	\$0-2999	\$3000-4999	\$5000-6999	\$7000-9999	\$10,000-14,999	\$15,000-24,999	\$25,000 or more
1	49,194	16,814	6,984	6,700	8,484	7,095	2,343	774
2	88,576	7,899	8,754	9,424	15,615	22,959	18,967	4,958
3 & 4	114,977	4,881	4,989	7,895	18,207	37,513	33,066	8,426
5	37,345	1,141	1,027	1,700	4,714	12,502	12,702	3,559
6 or more	33,634	896	1,334	1,845	4,571	10,885	11,046	3,057
Total	323,726	31,631	23,088	27,564	51,591	90,954	78,124	20,774
Percent of Total	100.0	9.8	7.1	8.5	15.9	28.1	24.1	6.4

Source: 1970 Census of Population, Detailed Characteristics, California

¹ Family income refers to the income of persons living together who are related by blood, marriage or adoption. Household income includes the income of all persons living in a housing unit. Household income is used in these tables to permit comparison with housing characteristics.

Housing Supply Characteristics

The housing supply is made up of the existing stock of housing and new construction. In December 1971, Santa Clara County's estimated housing supply totaled 370,600 units. Of these, 33,600 were new units built since the April 1970 Census. The production of housing in 1971 exceeded the 1970 levels, reflecting the greater availability of money for housing construction and home purchases and recovery from the regional economic recession of 1970-71.

Eighty-six per cent of the County's housing stock is located in incorporated cities and towns. The remaining 14% is divided about equally between the relatively urbanized unincorporated areas in the northern part of the County and the generally rural unincorporated parts of the South Valley and the hillside areas. During 1970 and 1971 building permits issued for new residential construction were weighted even more heavily toward incorporated areas, with 92% of units authorized for construction in cities and towns. This reflected the County and LAFCO (Local Agency Formation Commission) policies of encouraging urban development to take place in incorporated areas.

In 1970, three-fourths of the County's housing supply was made up of single-family detached houses. Multi-family units, which increased substantially as a percentage of the total supply during the period 1956-1966, have remained at 25% of the total supply since 1966, increasing in number proportionately to single-family housing. Mobile homes and trailers account for less than one per cent of the County's occupied housing units.

Owner-occupancy is the primary form of housing tenure in Santa Clara County. About 62% of the housing supply is owner-occupied, while 38% is occupied by renters. Owner-occupancy is more characteristic of middle- and upper-income households than of low- and moderate-income households. The following tables illustrate the distribution of owners and renters by income category.

TABLE 3A
Housing tenure, by household income, Santa Clara County, 1970

Tenure	Total Number of Households	Income Category							Median Income
		Less Than \$3,000	\$3000- 4999	\$5000- 6999	\$7000- 9999	\$10,000- 14,999	\$15,000- 24,999	\$25,000+	
Owners	199,177	13,430	8,820	10,776	25,524	61,990	61,485	17,152	\$13,300
Renters	123,605	21,590	14,643	17,304	26,357	27,506	13,664	2,541	7,900

Source: 1970 Census of Population and Housing

TABLE 3B
Percent comparison, by income group, of owners & renters, Santa Clara County, 1970

Tenure	Total Number of Households	Income Category						
		Less Than \$3,000	\$3000- 4999	\$5000- 6999	\$7000- 9999	\$10,000- 14,999	\$15,000- 24,999	\$25,000+
Owners	62%	38%	38%	38%	49%	69%	82%	87%
Renters	38%	62%	62%	62%	51%	31%	18%	13%
Total	100%	100%	100%	100%	100%	100%	100%	100%

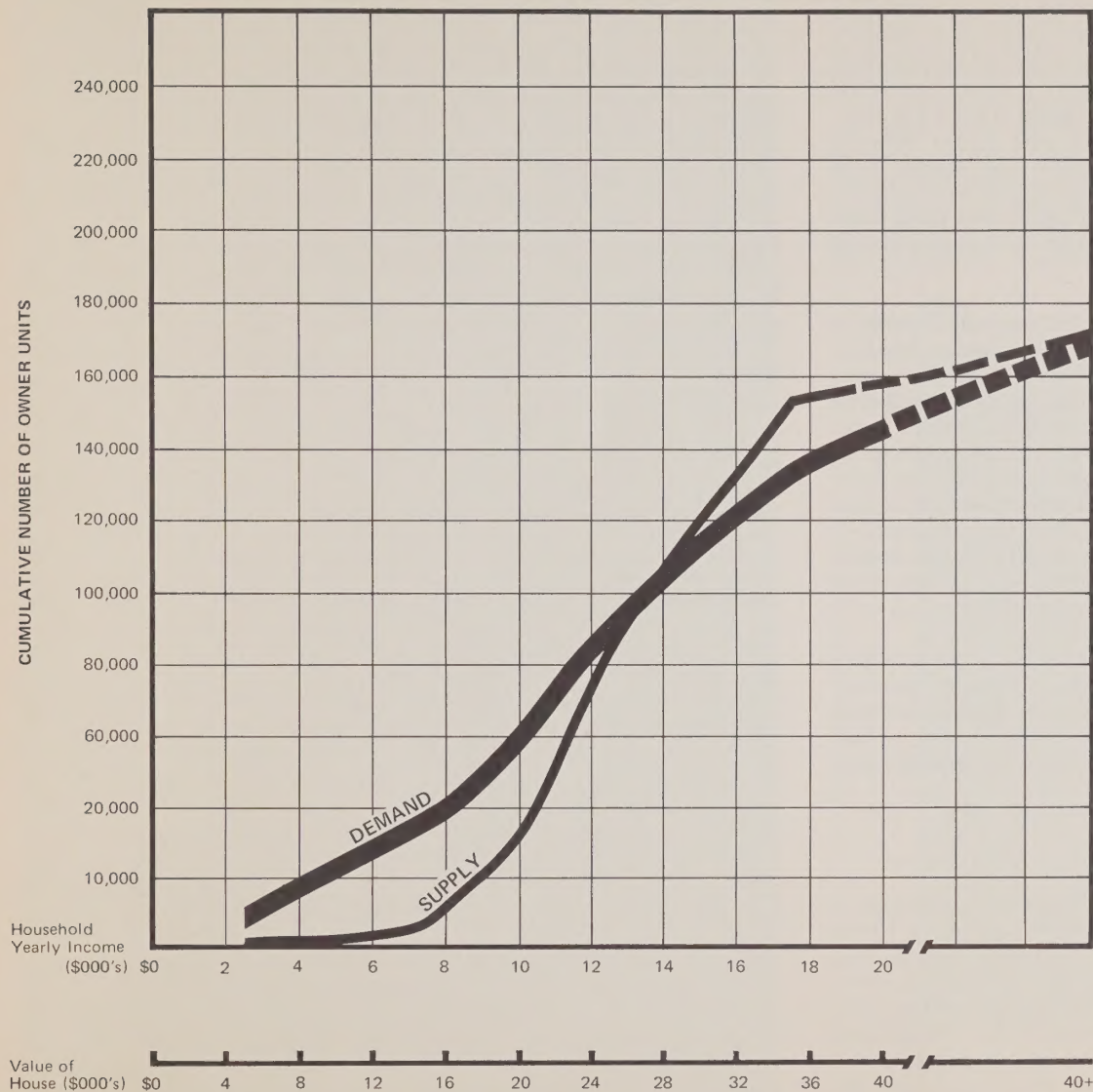
Source: 1970 Census of Population and Housing

Supply and Demand for Sales Housing

A convenient and frequently used rule of thumb for home purchases is that a family can "afford" to buy a house costing about twice its annual income. Generally, it has been found that lower income households can afford somewhat less than this, given their other expenditure needs, while higher income households can afford to pay more. Although individual cases may vary widely from this general guideline, it does provide a working basis to compare the ability of County households to buy housing at present values, and it has been substantiated by past experience. In 1970, the County median ratio of value (of owner-occupied housing) to household income was 2.0, this ratio ranged from about 1.7 for houses valued less than \$10,000 to 2.2 for houses over \$25,000.

Using the value-to-income ratio of 2.0 as a standard, it is possible to measure a "potential demand" by home-owning households against the current supply of owner-occupied housing, comparing annual income to house value of home-owning households. Figure 1 graphs the "potential demand" by all homeowners against the standard ratio. The demand curve is based on the incomes of all home-owning households as reported in the 1970 Census; the supply curve graphs the price distribution of all owner-occupied and vacant-for-sale housing using the standard ratio. The demand curve is based on the incomes of all home-owning households as reported in the 1970 Census; the supply curve graphs the price distribution of all owner-occupied and vacant-for-sale housing from the Census. In 1970 there was a sufficient supply of homes valued over \$27,000 to meet the "potential demand" projected from the incomes of the County's homeowners. Stated in terms of income rather than house value, this means that in 1970, a household seeking to purchase a house would have needed an annual income of \$13,500 in order to have had an adequate supply of housing at a price it could reasonably afford. This level would represent a true balance of supply and demand if all households chose (or were able to occupy) housing valued at twice their annual incomes, but in actual practice, of course, there is considerable variation from this standard.

FIGURE 1
SUPPLY AND DEMAND FOR OWNER HOUSING, SANTA CLARA COUNTY, 1970



SOURCE: Joint Cities-County Housing Element Program

Figure 1 indicates that in 1970, supply and demand were in balance at \$27,000 house value and \$13,500 annual income. Below the point of balance, there were 90,700 units valued below \$27,000 and 90,700 households earning less than \$13,500. However, data shows that 26,000 or 29% of these units were occupied by households earning more than \$13,500. This means that only 64,700 units of the owner-occupied housing supply priced under \$27,000 were available to the 90,700 households with incomes below \$13,500.

Additionally, data show that 36,800 households earning less than \$13,500 occupied housing valued at over \$27,000. These households were occupying housing valued at more than twice their annual incomes. Choice, possession of adequate assets, retirement, and other circumstances can explain some of the occupancies in units valued over twice the annual income, but for many households there were simply insufficient opportunities to occupy less expensive housing. Lack of opportunities to purchase suitably priced sales housing also restricts many lower-income households to renting, rather than owning, housing.

Looking at the local housing market in 1971, one year after the Census, the average price of a new, for-sale housing unit in Santa Clara County was \$27,130, virtually equal to the point of supply-demand balance shown by 1970 Census data. Purchase of this average-priced unit would typically require an annual income of \$13,500, using the standard value-to-income ratio of 2.0. This income is about \$1,000 above the median family income for the County, as reported in the 1970 Census.

Additions to the Supply of Sales Housing

On the basis of the 1970 comparison of supply and demand for owner-occupied housing, it is apparent that the most critical need for sales housing in the County is in the below-\$27,000 price range. Table 4 summarizes the additions to the housing supply for new, for-sale housing developments in the County over a six year period. Examination of the table reveals several significant facts. In 1967 and again in 1970 and 1971, at least half of the new, for-sale housing units were priced between \$15,000 and \$24,999, contributing to the supply in the most needed price range. The table contains no price category below \$15,000, reflecting the absence of new housing construction marketed below that price level. Figure 1, however, indicates considerable demand for housing priced below \$15,000.

While the market is not producing new housing for less than \$15,000, it has partially responded to the need for housing priced below \$20,000. Table 4 shows that only 3.5% of tract houses occupied in 1968 were priced below \$20,000 and no new units were priced below \$17,500. The large increase in the \$15,000 to \$17,499 category in 1970 is due to large-scale development of townhouses and condominium apartment units. Townhouse and condominium construction can offer considerable savings in material and land costs. During 1970, one-fourth of all new for-sale housing was priced under \$20,000. Since 1970, the percentage of new, for-sale housing priced below \$20,000 has declined as prices of land and materials have continued to inflate, offsetting much of the price savings gained through greater densities and reduced unit size.

In summary, the majority of new housing units have been priced within the price range most needed to satisfy the unmet housing demand. Despite this production, demand for units priced below \$27,000 continues to exceed supply, and households requiring housing priced much below \$17,500 are effectively priced out of the new sales housing market.

Vacancies in For-Sale Housing

Vacancies in single-family housing were low in 1971-1972, although a gradual upward trend in vacancies was evident. The November 1971 FHA postal vacancy survey showed a countywide single-family vacancy rate of 2.0%, compared with 1.6% for November 1970 and 1.4% in November 1969. Although the vacancy rate in single-family residences was observed to vary among the nineteen postal areas within Santa Clara County, the variations were small. This demonstrates quite uniformly "tight" market conditions; FHA considers a 3 to 5% vacancy rate for single-family units to be necessary.

TABLE 4

New tract houses occupied, by price, annually, Santa Clara County, 1967-1972

Price of House	Houses Occupied					
	1967	1968	1969	1970	1971	1972
Total	5925	7883	7276	7275	9888	9279
\$15,000-17,499	71	0	282	1375	495	279
\$17,500-19,999	1075	273	91	525	985	719
\$20,000-24,999	1817	3516	2480	1979	3828	2606
\$25,000-29,999	1438	1739	1850	1591	2128	2241
\$30,000-34,999	618	1274	1359	641	842	1517
\$35,000-39,999	465	354	576	564	880	859
\$40,000-& Over	441	727	638	600	730	1058
Price of House	Percentage Distribution					
	1967	1968	1969	1970	1971	1972
Total	100.0	100.0	100.0	100.0	100.0	100.0
\$15,000-17,499	1.2	0.0	3.9	18.9	5.0	3.0
\$17,500-19,999	18.1	3.5	1.3	7.2	10.0	7.7
\$20,000-24,999	30.7	44.6	34.1	27.2	38.7	28.1
\$25,000-29,999	24.3	22.1	25.4	21.9	21.5	24.2
\$30,000-34,999	10.4	16.2	18.7	8.8	8.5	16.3
\$35,000-39,999	7.8	4.5	7.9	7.8	8.9	9.3
\$40,000-& Over	7.4	9.2	8.8	8.2	7.4	11.4

Source: Harrington Housing Research, Inc., San Jose. October 1972

Supply and Demand for Rental Housing

The total number of rental units in the County increased from 123,500 in April 1970 to 141,500 in July 1972. Vacancies in multi-family units, the bulk of which were renter-occupied, showed an upward trend from 3.3% in November 1969, to 6.6% in November 1970 and 7.3% in November 1971, according to the FHA postal vacancy surveys. In June 1972, a survey by the Institute for Business and Economic Research, San Jose State University, reported an apartment vacancy rate of 7.9%. The highest vacancy rates are observed in recently completed developments and in the larger, more expensive apartment units.

The 1970 median rent for Santa Clara County was \$143. The Consumer Price Index for the San Francisco-Oakland metropolitan area shows a 15% increase in rents between the end of 1969 and mid-1972. Such an increase, if uniform, would have raised the median rent in Santa Clara County to \$164.50 by July 1972.

TABLE 5
Gross rent as percent of household income, Santa Clara County, 1970
Percent of Income

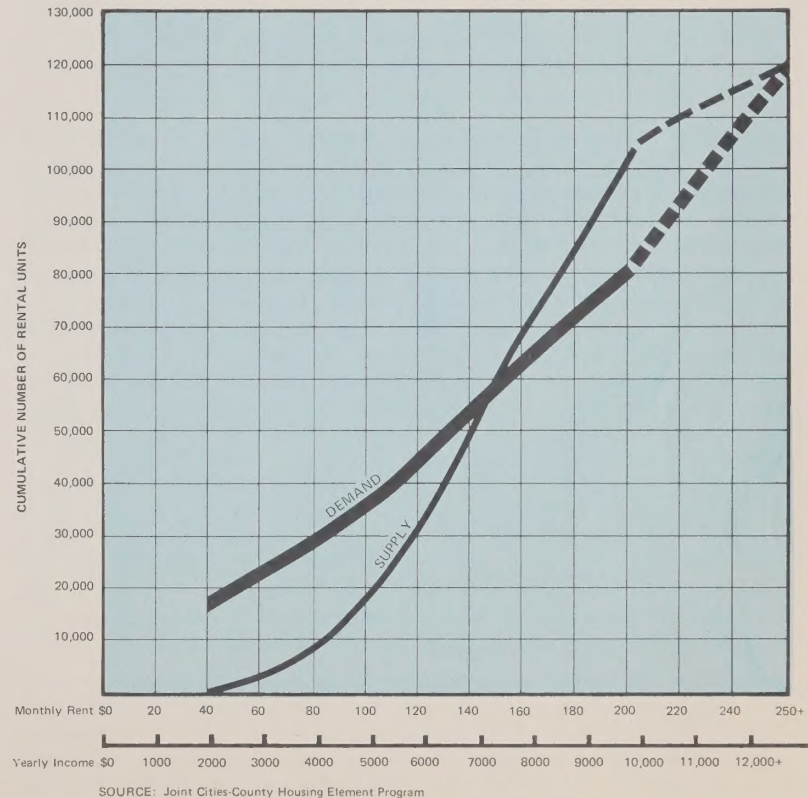
Income Group	0-14%	15-19%	20-24%	25-34%	35%+
\$2000 or less	---	---	0.1	0.5	29.8
2000-2999	---	0.2	0.6	2.8	21.6
3000-3999	0.2	0.6	1.3	4.2	16.6
4000-4999	0.3	0.8	2.1	8.4	13.4
5000-5999	0.8	2.1	4.5	15.7	8.7
6000-6999	1.7	3.7	9.4	20.8	5.0
7000-9999	10.0	26.3	46.8	36.2	4.1
10,000-14,999	35.9	50.4	30.1	10.4	0.6
15,000-24,999	40.4	15.4	4.9	0.9	0.1
25,000+	10.7	0.6	0.2	0.1	---
Total	100.0	100.0	100.0	100.0	100.0

Source: 1970 Census of Population and Housing

A standard measure with respect to rental housing occupancy is that a household can afford 25% of its income for rent. As was previously observed for homeowners, all households do not conform to the standard rent-to-income ratio. Higher income groups generally pay a smaller proportion of their income in rent, and lower income households are very often obliged to spend considerably more than the standard 25%. In 1970, for example, over three-quarters of the households paying more than 35% of their income for rent earned less than \$5,000 a year. In contrast, 87% of the households who paid less than 15% of their incomes for rent earned more than \$10,000 a year. Table 5 illustrates the proportion of income paid in rent by households, according to their income category.

Using 25% of income going toward rent as a standard, it is possible to measure a "potential demand" by renter-households against the supply of rental housing. Figure 2 graphs the potential demand and supply in 1970 using this standard. The income distributions illustrated are those of renters only and are markedly lower than the income distributions for total households. The graph shows an excess of demand over supply for units renting for less than \$145. Stated in terms of income, this means that there is an insufficient supply to meet the needs of households earning less than \$7,000 a year. For many renter-households earning less than \$7,000 per year there is no choice but to spend over 25% of their incomes on rent. This situation is aggravated by the fact that over 40% of the housing units renting for less than \$150 a month were occupied by households with incomes of greater than \$7,000.

FIGURE 2
SUPPLY AND DEMAND FOR RENTAL HOUSING, SANTA CLARA COUNTY, 1970



PROBLEMS OF HOUSING CONDITION AND OPPORTUNITIES FOR IMPROVEMENT

A second major consideration in an analysis of the County housing situation is the condition of the housing supply. Both the actual physical condition and the occupancy characteristics of housing units are closely related to the economic issues of housing supply and demand discussed in the previous section. Since a review of housing conditions and occupancy factors in Santa Clara County reveals problems in both areas, the following discussion will also consider opportunities and techniques for improving these conditions through housing rehabilitation.

Housing Condition and Occupancy Characteristics

Most of Santa Clara County's residential development has occurred since 1950. Only about one-fifth of the housing stock currently in existence is more than twenty years old. As a consequence of the newness of development and the generally favorable economic conditions which have prevailed in the area, the County has relatively few substandard housing units.

Information needed to determine the precise number of substandard housing units and the degree to which units are physically inadequate is not available. Overall housing condition is no longer evaluated by the Census, nor is there a comprehensive local source from which this information could be drawn. The primary indicators of substandard housing conditions available in 1970 Census data are lack of complete plumbing facilities and substandard heating. The Census reported 8,231 housing units in the County (2.5%) as (1) lacking one or more plumbing facilities or (2) sharing such facilities or (3) having either substandard heating equipment or no heating equipment. These are somewhat limited indicators, since they give no information about maintenance or other factors affecting livability. As an alternative means of approximating the number of substandard housing units, it was assumed that many housing units valued at less than \$10,000 or renting for less than \$80 a month were likely to be substandard in one or more respects. Thus with 1,250 units valued at less than \$10,000 and 9,975 units renting for under \$80, it appears that some 10,000-11,000 units are likely to be substandard or are in danger of becoming substandard, either because of their age or the likelihood of insufficient or deferred maintenance. This would include about 3% of the total housing supply.

Overcrowded housing is a larger problem than substandard housing in terms of the number of affected households. An overcrowded housing unit is one occupied by more than one person per habitable room. The 1970 Census reported 21,200 overcrowded units, a number equivalent to

6% of the total housing supply. The proportion of overcrowded units rises to 8% in unincorporated areas, and averages 15% in the South Santa Clara County planning areas of Coyote, Morgan Hill, San Martin, and Gilroy.

Overcrowding is not necessarily due to occupancy by unusually large families. Much overcrowding occurs because lower-income households cannot afford to rent adequately sized units, whatever their family size. In general, housing prices or rents are positively correlated with the number of bedrooms and the overall habitable space contained within the unit. A family that can afford to pay no more than \$150 a month for housing, for example, has very limited choices in the private housing market and can generally afford only small units.



BEFORE

Many older homes are basically sound and can be converted from eyesores to community assets with modest rehabilitation expense. The house shown on these pages demonstrates the results of a renewal program by the San Jose Redevelopment Agency which provided funds for repairs to houses on a "demonstration block" in the San Jose Model Cities area. This is an example of positive local action to improve housing, using existing housing stock.

Housing Rehabilitation

Housing rehabilitation can be a costly undertaking. In some cases, it is actually less costly to replace substandard or obsolete housing than to carry out major rehabilitation. At the same time, preservation of the existing housing stock is an important goal, in both an economic and a community preservation sense. Consequently, the development of an appropriate set of means to facilitate both major rehabilitation and continuing home maintenance should be a matter of public concern. The problems, limitations, and applications of existing sources of financing and tax relief, and implications for the enforcement of the County's Housing Code are described below.



AFTER

Loans for Home Improvement and Rehabilitation

Home improvement loans are generally available on terms which are prohibitive for lower-income home owners. The various programs offered by banks and finance companies tend to favor high-quality, low-risk properties and to charge very high interest rates.

The four major sources of money for home improvement are mortgage refinancing, second deeds of trust (second mortgages), the FHA Title Home Improvement Program, and loans obtained from finance

companies. The first two, offered by commercial banks, are generally made to low-risk borrowers for high-quality properties in low-risk neighborhoods. FHA Title I loans, which carry a 90% mortgage guarantee, are currently little used due to their high effective interest rate. Loans obtained from finance companies bear interest of 1½% per month or 18% per year. This source of money is suitable only for very short-term borrowing.

Several federal programs administered by the Department of Housing and Urban Development (HUD) offer direct loans and grants to lower income households for housing rehabilitation. This assistance is linked, however, to areawide improvement programs requiring official government participation: Federally Assisted Code Enforcement; the Neighborhood Development Program; and the Model Cities Program. As a result, only households residing in areas which have been approved by HUD for one of these general improvement programs may receive rehabilitation assistance. In addition, HUD requires that at least 20% of the units in these areas must need rehabilitation. This requirement, coupled with scarcity of funds, often means that HUD rehabilitation loans and grants are not available until neighborhoods have become badly deteriorated. These limitations, plus the low level of funding available under the HUD programs, have made the federal loan programs for rehabilitation of minor significance for Santa Clara County. These programs have been recommended for cancellation by the Nixon administration in the federal budget for fiscal year 1974.

In view of the extremely limited sources of loans for residential rehabilitation at favorable finance terms, the report *Housing Codes* published by the Planning Policy Committee recommended that local governments consider the establishment of loan insurance funds for housing rehabilitation. These programs would insure loans for rehabilitation in older residential areas or for higher risk or marginally qualified borrowers. This insurance feature would encourage private lenders to extend funds for repairs in areas or to individuals they might otherwise consider to involve a high risk. In a loan insurance program, only funds used for insurance purposes are needed. The insurance, however, can stimulate a greater level of loan activity by the private sector. The fund could be made self-supporting through a small fee charged to each borrower.

Tax Incentives for Residential Rehabilitation

Section 167k of the Internal Revenue Code provides for income tax deductions for expenditures made in rehabilitating rental housing for occupancy by low- and moderate-income households. Costs of between \$3,000 and \$15,000 per unit are eligible for deductions. The depreciations are computed under the straight-line method, using a useful life of 60

months and no salvage value. This permits depreciation of one-fifth of the total value per year instead of the usual straight-line method in which salvage value is deducted. This provision applies to expenses incurred between July 24, 1969 and January 1, 1975.

The provisions of Section 167k are aimed at the owners of investment properties and are intended as an incentive to upgrade rental housing. The beneficiaries of this incentive mechanism are low- and moderate-income renters. No similar provisions for stimulating the rehabilitation of owner-occupied housing have been made at the federal level.

Additional incentives could be created and implemented at the State level. Bills have been introduced in the legislature to establish programs of State property tax relief for both rental and homeowner properties which are rehabilitated to meet local housing code standards. The most recent such bill was AB 2103 of the 1972 legislative session. To date, bills on this topic have failed passage, but they could provide a major incentive to private rehabilitation efforts.

Code Incentives for Rehabilitation

Local government may play an indirect role in stimulating residential rehabilitation by providing favorable circumstances to encourage reinvestment in older urban areas. One potential tool would be the development of building code provisions which would favor rehabilitation. Most modern building codes tend to discourage major repairs or remodeling of older residential properties because of the cost involved in bringing the units up to current standards. The International Conference of Building Officials (ICBO) is preparing a draft model rehabilitation code which would permit restoring structures to their original condition, rather than to current standards, so long as hazardous and substandard conditions are eliminated and the unit conforms to the Housing Code.

Systematic Enforcement of the Housing Code

The most direct action available to local governments for causing the rehabilitation or removal of substandard housing units is through a systematic program of housing code enforcement. The overall policy of a housing code enforcement program should be to meet the goals of a decent home and suitable living environment for every resident of Santa Clara County without making families homeless or causing a decrease in the stock of lower-priced housing. Code enforcement should not be carried out without adequate ancillary programs to ensure the fulfillment of these goals.

In view of the high cost of conventional rehabilitation loans, the very limited utility of federal rehabilitation programs in this area, the lack of

sufficient tax incentives for rehabilitation, and the present curtailment of federal housing funds to build alternative housing for low- and moderate-income families, it must be concluded that the conditions favoring a vigorous program of housing code enforcement do not now exist in Santa Clara County.

Protection for Low-Income Persons Displaced by Housing Code Enforcement

The same conditions which make a vigorous program of housing code enforcement undesirable at this time, i.e. short supply of low cost alternative housing, high cost of rehabilitation, and lack of suitable supportive programs, pose a potential threat to low-income people who might be displaced through individual code enforcement actions. Before a person or family is actually removed from a dwelling, a determination should be made that there are reasonable relocation opportunities for that family available in the County.

Section 7265.3 of the Government Code allows a local government to declare that persons displaced by enforcement of the housing code are eligible for the same relocation benefits as persons displaced by public projects. Under these provisions, the enforcing agency must determine whether there are adequate housing opportunities available within the economic means of the displaced persons. In the event that it is determined that there are not adequate housing opportunities available, the people may not be displaced without supplemental assistance to enable them to find replacement housing. These supplemental payments will vary with the individual circumstances, but may not exceed \$15,000 for an owner-occupant who is displaced or \$4,000, portioned over a four year period, for a renter who is displaced. If there are adequate relocation opportunities available, no supplemental payments will be made. In addition to these supplemental payments to allow the displaced persons to find relocation housing, the displaced person will be eligible for reasonable moving allowances according to a schedule of payment established by the local agency.

The purposes of these provisions are, of course, to protect low-income families living in substandard housing from being displaced into worse circumstances. Principal sources of relocation housing for such families will include the leased housing program of the Housing Authority and the rental units provided by the Federal Section 236 and 221(d)(3) rent supplement programs. If housing is available under these low rent programs, there should be no need for supplemental payments for relocation. If housing is not available, then it would be desirable to delay code enforcement actions that would cause displacement until low-rent units become available.

THE COST OF HOUSING: 1972

Housing costs are rising for the residents of Santa Clara County, regardless of income level. These cost increases are attributable to all the factors in housing production and maintenance, including materials, land and labor, and to inflation generally. The appreciation in value of existing houses, of all qualities and types, is a significant component of the increased housing cost picture, and one which affects low- and moderate-income households most seriously. The following discussion looks at each of these factors related to increasing housing costs.

Appreciation of Existing Housing

Existing single-family, owner-occupied housing in Santa Clara County increased in price by an average of 7% between April 1970 and April 1972, according to sample appraisals conducted by the Real Estate Research Council of Northern California. In this sample, changes in appraised value ranged from zero to 17% over the two-year interval.

For the same sample of houses, those which were in existence in 1960 increased in appraisal value by an average of 60% between April 1960 and April 1972, equivalent to an annual increase of 5%. These units were located in Sunnyvale, Santa Clara, and San Jose. An additional group of houses in the sample was built in 1965 or 1966. Between April 1966 and April 1972 this group increased in value by an average of 35%, or about 5% per year. The units in this group were located in Mountain View and San Jose. As an example of the type of cost appreciation that has occurred, one eight-year-old house in San Jose that has been followed in the Real Estate Research Council sample was valued at \$23,500 in 1966 and \$31,000 in 1972, a 32% increase in six years. Another house, about twenty years old and also located in San Jose, was valued at \$14,500 in 1960 and at \$23,500 in 1972, representing an increase of 62% in twelve years.

The Institute for Business and Economic Research, San Jose State University, compiled a sample of 210 single-family houses sold in 1968 and sold again in 1970. The sales price increases for this sample confirm the previously cited finding of rapid appreciation in the value of existing housing, and show that the greatest rate of increase has been in the lowest price categories. The average annual increase for all price categories in the sample over the two-year period was about 7%. Table 6 summarizes these findings.

TABLE 6

Santa Clara County

Average price changes for a group of homes sold in 1968 and resold in 1970

1968 Price	Number of Sales	Percent of Total Sales	Average Price Change (Percent)
\$17,500 or below	19	9%	21%
\$17,501-20,000	29	14%	19%
\$20,001-25,000	80	38%	15%
\$25,001-30,000	50	24%	13%
\$30,001-35,000	14	7%	11%
\$35,001-40,000	5	2%	8%
\$40,001 and over	13	6%	2%
	210	100%	Overall Average 14% Total Sample

Source: Institute for Business and Economic Research, San Jose State University

Land Costs

Land costs have been among the most rapidly rising components of housing costs. In much of the County, residential building site costs have doubled since 1960. In 1972, improved building sites for detached single-family homes were priced upward of six thousand dollars, even in relatively low cost areas of the County.

Because of the high cost of land, developers have turned to increased residential densities as a major means of reducing or stabilizing housing prices. In the last two years, increased residential density has in fact been used to permit construction of housing in the \$20,000-25,000 range. By the late 1960's, single-family units were no longer being marketed in this price category. By reducing the amount of land required for each unit through townhouse and condominium apartment development, opportunities to purchase housing for \$20,000-25,000 have been re-established.

Table 7, which follows, provides some historical perspective on land prices in major areas of Santa Clara County. Numbers shown in the left-hand column of the table refer to the designated areas on the accompanying County map. The prices shown apply to lots in subdivisions of ten or more lots. Individual lots in built-up areas may be priced considerably higher, depending on location and demand.



LAND MARKET SUB-AREAS
(USED IN TABLE 7)

TABLE 7 Land value trends for improved single family lots, Santa Clara County, 1960, 1965, 1969 and 1972 (in thousands of dollars)

Subarea	Year	Cost in Thousands of Dollars			
		6,000 sq. ft. Lots	7,500–8,000 sq. ft. Lots	10,000 sq. ft. Lots	Acreage/View Lots
1	1960	8.0	6.5– 7.5	8.5–10.0	10.0–12.0
	1965	12.0	8.5–10.0	10.0–14.0	12.0–18.0
	1969	15.0–18.0	12.0–14.0	14.0–18.0	18.0–24.0
	1972	18.0–20.0	14.0–16.0	18.0–22.0	20.0–26.0
2	1960	4.5– 5.5	5.5– 6.5	*	*
	1965	6.5– 8.5	6.5– 8.0	*	*
	1969	8.5–10.0	9.0–10.5	*	*
	1972	10.0–12.0	12.0–14.0	*	*
3	1960	*	5.5– 6.5	8.5– 9.5	10.0–12.0
	1965	*	6.5– 8.0	9.5–12.0	12.0–16.0
	1969	*	9.0–10.5	12.5–15.5	16.0–20.0
	1972	*	12.0–14.0	14.0–16.0	18.0–20.0
4	1960	4.5– 5.5	*	*	*
	1965	6.5– 7.5	*	*	*
	1969	7.5– 9.0	*	*	*
	1972	10.0–12.0	*	*	*
5	1960	3.5– 4.5	4.5– 5.0	4.75– 5.75	*
	1965	4.5– 5.5	5.5– 6.5	5.75– 6.75	*
	1969	6.0– 6.5	7.5– 8.5	7.75– 8.75	*
	1972	7.5– 8.5	7.5– 8.5	8.5–10.00	14.0–20.0
6	1960	3.0– 4.0	3.5– 4.5	*	4.0– 5.0
	1965	4.0– 5.0	4.5– 5.5	*	5.0– 6.0
	1969	6.0– 6.5	6.5– 7.0	*	7.0– 8.0
	1972	7.0– 8.5	7.0– 9.0	*	10.0–12.0
7	1960	3.0– 4.0	4.0– 5.0	4.25– 5.25	4.0– 6.0
	1965	4.0– 5.0	5.0– 6.0	5.25– 6.25	5.0– 7.0
	1969	5.5– 6.0	7.0– 8.0	7.25– 8.25	7.0– 9.0
	1972	6.0– 6.5	6.5– 8.0	8.50–10.00	10.5–12.5

Source: Harrington Housing Research, Inc., San Jose, October 1972

* Few, if any, parcels currently being marketed in the subarea are zoned for development in this lot size category.

Construction Costs

Construction costs for typical Bay Area residential and commercial structures are published quarterly by the Real Estate Research Council of Northern California. The table below summarizes these costs, over eight years, for a good quality and a medium quality single-family residence, both with three bedrooms, and for a two-story, 24-unit, wood-frame apartment house. To enable comparison, these typical structures have been held constant in design and materials for the period 1965-1972. The cost of land and site improvements has been excluded since these vary among the nine Bay Area counties.

TABLE 8
Construction cost estimates for prototype residential structures, San Francisco Bay Area, 1965-1972

	Good Quality Single Family Dwelling		Medium Quality Single-Family Dwelling		Two-Story Apartment House	
	Unit Cost	Sq. Ft. Cost	Unit Cost	Sq. Ft. Cost	Unit Cost	Sq. Ft. Cost
April 1965	\$27,310	\$15.61	\$15,430	\$11.06	\$262,800	\$10.95
April 1967	29,672	16.96	17,031	12.21	284,100	11.84
April 1969	34,550	19.74	21,247	15.23	325,200	13.55
April 1971	38,062	21.75	23,803	17.06	359,400	14.97
April 1972	41,221	23.55	25,968	18.62	390,100	16.25
Percent Change, 1965-1972	51%		68%		48%	

Source: Real Estate Research Council of Northern California

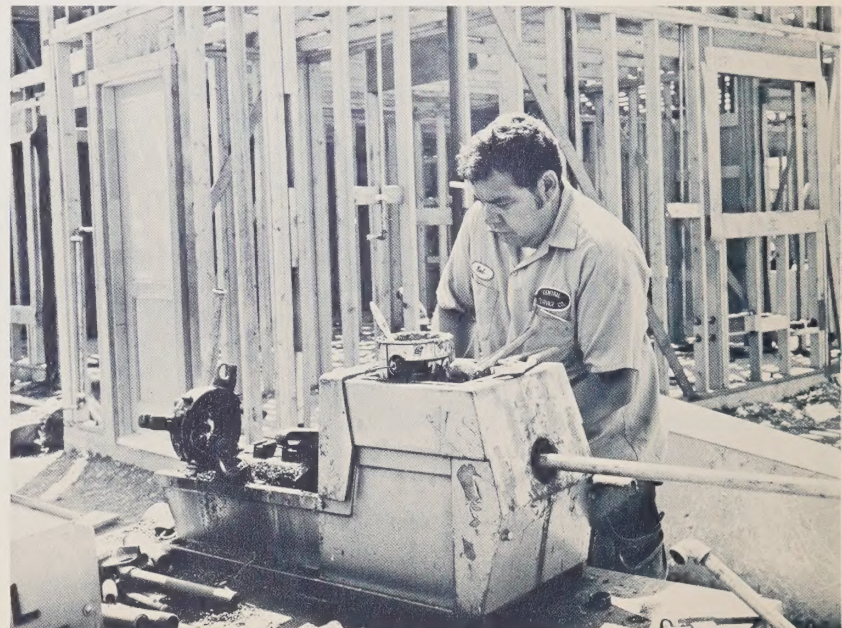
Labor Costs

The Division of Labor Statistics and Research, California Department of Industrial Relations, reported the following union hourly wage rates for major construction trades in Santa Clara County, as of May 1, 1965-1972.

TABLE 9
Union hourly wage rates for selected building trades, Santa Clara County, 1965-1972

	Bricklayer	Carpenter	Electrician	Painter (brush)	Plasterer	Plumber	Building Laborer
1965	\$5.35	\$4.40	\$5.77	\$4.47	\$4.44	\$4.84	\$3.63
1967	5.80	4.90	6.41	4.97	5.06	6.81	3.93
1969	5.80	5.71	7.09	5.57	5.61	—	4.43
1971	7.65	6.95	8.37	6.57	6.56	9.38	4.94
1972	—	7.50	9.07	7.17	7.38	—	5.19
Percent Change 1965-1972	43%	70%	57%	60%	66%	94%	43%

Source: Real Estate Research Council of Northern California



Costs of Financing

Interest rates on conventional home purchase loans made in Santa Clara County reached their lowest point in several years in early 1972, but began a gradual and continuing increase in late spring. The lowest rate generally available during this most favorable period was 7% on a 30-year, 80% mortgage. By midsummer 1972, the lowest rate available was 7¼% for a similar loan. Rates on 90% loans increased more rapidly, reaching 7¾% by year's end.

Higher interest rates have a substantial effect on the amount of monthly payments on home purchase loans. The following figure, 3A, illustrates the size of the payment of a \$28,000 principal, 30-year mortgage at selected interest rates. This would be the possible range of payments for purchase of a \$35,000 house, after a 20% down payment, or for a \$31,100 house, with a 10% down payment.

At 7%, monthly payments on the \$28,000 principal would be \$186. At 7¼%, the monthly payment increases to \$191. At 7¾%, the monthly rate charged in late 1972 on a 90% loan would be \$200.

Figure 3B illustrates the effect of different interest rates on selected principal amounts, over a 30-year term. Figure 3B has been included primarily to show how the Federal Section 235 interest subsidy program for moderate-income home buyers affects monthly costs. The 235 program permits interest payments as low as 1% depending on the buyer's income. The 235 subsidy program, however, applies only to units sold at \$24,500 or less.

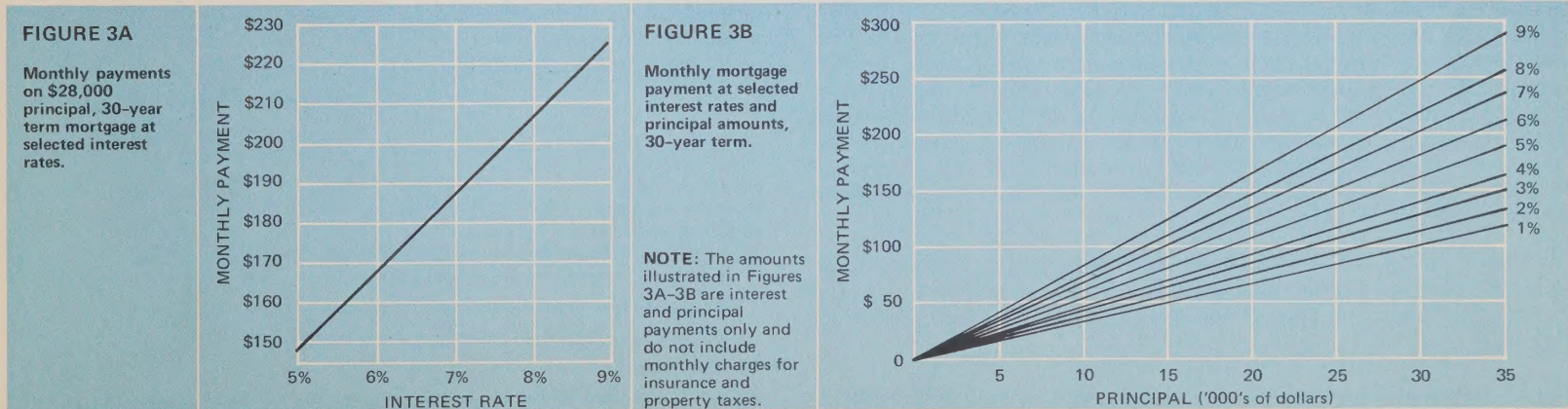
To demonstrate the benefits of the 235 program for moderate-income home buyers, Figure 3B shows that on a \$20,000 principal, a buyer paying 8% interest on a conventional loan would have monthly payments of \$147. If the family qualified for a Section 235 subsidy enabling it to pay as little as 3%, its monthly payment would be \$84; if eligible to pay as little as 1%, the family's monthly payment would be \$65.

In practical application, Section 235 financing serves only a limited range of qualified moderate-income households. Financing remains a serious problem for households with incomes too great to qualify for Section 235 subsidies, yet unable to carry the costs of conventional, FHA or VA financing.

Other categories of homebuyers who experience difficulty in obtaining financing at reasonable rates are those rated as "high risk" by lenders and frequently purchasers of homes in older neighborhoods.

High Risk Mortgage Lending

Early in 1972, twenty-two Bay Area savings and loan institutions formed a high-risk mortgage lending consortium known as SAMCO. The initial subscription of funds by these institutions totaled two million dollars. In 1972, SAMCO made 450 first deed of trust loans to Bay Area households whose credit status or property to be purchased was not acceptable for the conventional lenders. SAMCO can make loans of up to 95% for home purchases of \$30,000 or less and can refinance existing loans. Mortgages are insured by a private mortgage insurance firm. Many of the properties financed in this manner have been located in older or inner-city neighborhoods where conventional, FHA or VA financing are often difficult to obtain.



SUBSIDIZED HOUSING

The rising costs of housing have effectively priced many households out of the privately-financed housing market. In recognition of the needs of lower-income households for adequate housing, the federal government has developed several kinds of housing assistance programs. The first of them, the Public Housing Program, addressed the needs of low-income households. Housing subsidy programs for moderate-income households were created in the 1960's, as an increasingly large number of households became unable to afford privately financed housing. These programs are known by their National Housing Act subsection numbers "221(d)(3)," "235" and "236," and are administered by the Department of Housing and Urban Development. Special housing assistance for rural areas is provided by programs administered by the Farmers Home Administration of the Department of Agriculture.

In January, 1973, a moratorium was placed on further commitments of federal funds to these housing programs to permit their re-evaluation and probable modification. The future role of the federal government in housing remains unclear.

Many states have established housing finance agencies to supplement the federal programs. Legislation to create such an agency has been submitted to the California Legislature at several sessions, but has yet to be adopted.

Public Housing in Santa Clara County

The three major programs which provide housing assistance for low-income households (for example, a family of four earning less than \$5,250) are the Public Housing Construction Program, the Public Housing Leasing Program, and the Rent Supplement Program. The two public housing programs are directly administered by a local housing authority. The rent supplement program provides additional subsidies to qualified families living in Section 22(d)(3) and Section 236 subsidized rental housing. Nationally, the public housing programs provide by far the largest number of assisted units for this income group, far exceeding the limited number of units made available under the rent supplement program.

The County of Santa Clara has taken an important step in meeting the housing needs of low-income households by creating the County Housing Authority. The City of San Jose has formed its own Housing Authority.

As has been mentioned, nationally the vast majority of public housing

units are owned by housing authorities. However, in Santa Clara County both local housing authorities rely entirely on the Section 23 leased-housing program in providing low-rent public housing units. Under this program the housing authorities lease units from private owners and, in turn, rent them at a reduced rent for occupancy by low-income families.

There are no conventional public housing units in Santa Clara County. To own and operate public housing in California, a housing authority must obtain community approval via a referendum, under Article 34 of the State Constitution. To date, such ballot measures have been unsuccessful in San Jose, and have not been attempted in other jurisdictions which are served by the County Housing Authority. The October 1972 level of housing authority activity under the leased-housing program is shown in the following tables.

TABLE 10

Maximum net income limits for public housing eligibility, 1972, San Jose Housing Authority and Housing Authority of Santa Clara County

Number of Persons in Family	Entry Income	Income for Continuing Occupancy, Entry Income for Families Displaced by Gov't. Action
1	\$3,750	\$4,700
2	4,250	5,300
3	4,750	5,900
4	5,250	6,550
5	5,750	7,200
6	6,250	7,800
7	6,750	8,450
8 or more	7,250	9,050

Source: Housing Authority of Santa Clara County and San Jose Housing Authority

TABLE 11

Housing Authority Activity
Leased Housing Programs, October 1972

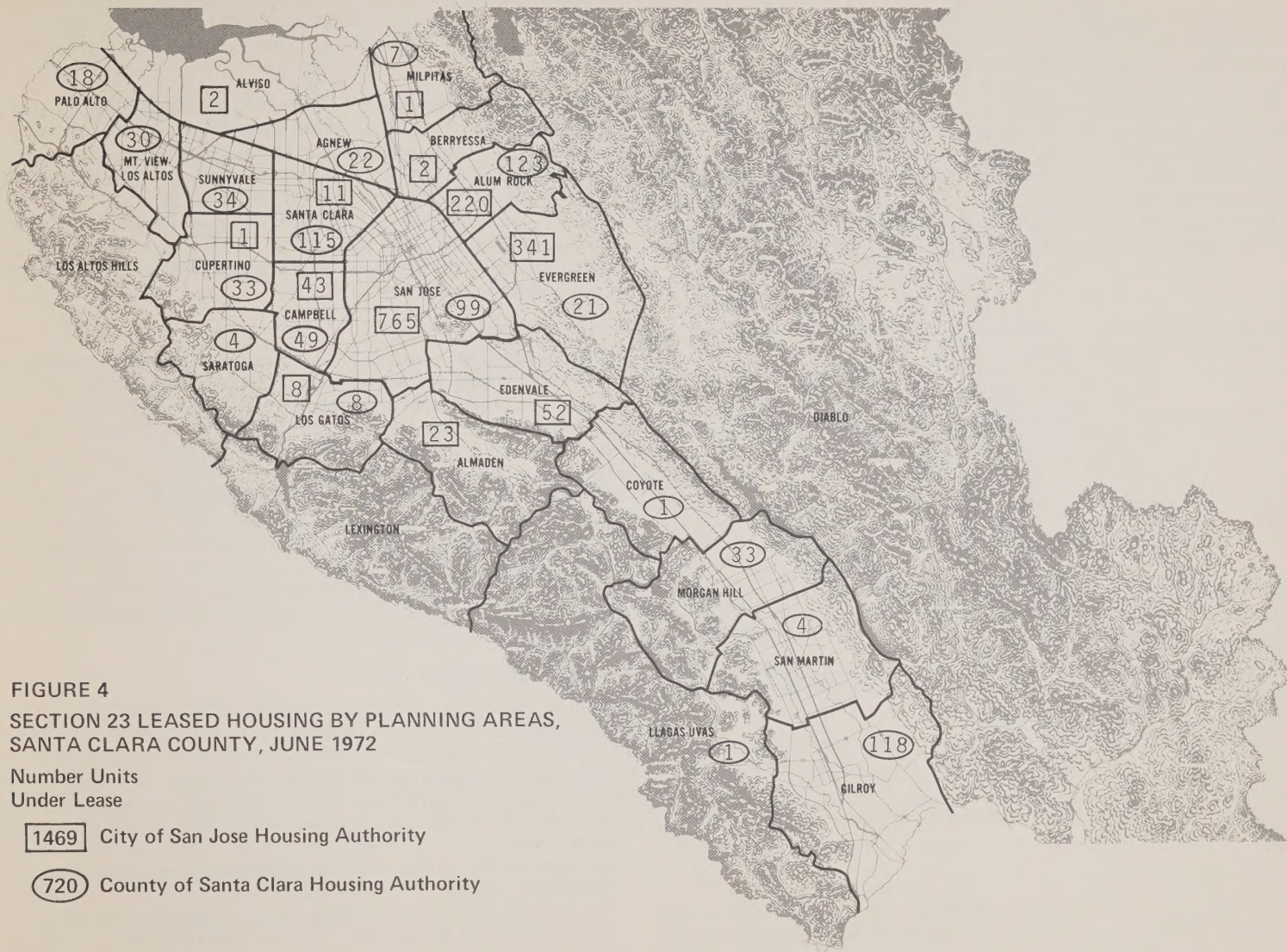
	County Housing Authority	San Jose Housing Authority	Total
Authorized Units	950	1,740	2,690
Units Under Lease	720	1,469 ¹	2,189
Eligible Emergencies ²	—	38	—
Applicants Eligible But Not Housed	230	770	1,000
Applicants Pending Eligibility	600 ³	500 ³	1,100

¹ 120 additional units under construction, and committed to be leased to Authority

² Households currently without shelter or due to be displaced within 30 days.

³ Approximation.

Source: Housing Authority of Santa Clara County and San Jose Housing Authority



Moderate-Income Assisted Housing

Moderate-income households—those earning roughly \$6,000-\$10,000 a year—are effectively priced out of the private market for both new and existing sales housing. Federal housing subsidies for moderate-income families are provided by the Section 221(d)(3), 236, and 235 interest-subsidy programs. Rental housing produced under these programs is developed by private nonprofit and limited-dividend corporations while sales housing is produced by conventional builders. Table 12 lists maximum incomes, by family or household size, for occupying federally subsidized moderate-income housing. The moderate income households most likely to benefit from the subsidies are those whose incomes are at or near the maximum amount shown in Table 12.

TABLE 12

Maximum Net¹ incomes for households occupying housing subsidized under sections 221(d) (3), 235 and 236 of the National Housing Act

Household Size	Maximum Income, Santa Clara Co. Sec. 235, 236	Sec. 221 (d) (3)
1	\$5,065	\$6,000
2	5,740	7,300
3	6,415	8,600
4	7,090	8,600
5	7,765	9,900
6	8,440	9,990
7	9,115	11,200
8	9,790	11,200

Source: U.S. Department of Housing and Urban Development, San Francisco Area Office.

¹Net income is determined by applying these guidelines:

Maximum allowable income is based on 135% of public housing entry limits. Adjusted net income is based on income from all sources except minors with deductions for social security of 5% and a \$300 deduction for each person under 21 years of age.

A family may have no more than \$2,000 in liquid assets.

A family headed by a person 62 years of age or over may have no more than \$5,000 in liquid assets.

In addition to either amount, \$500 may be added for each dependent, excluding spouse, plus an amount equal to the applicant's share of the mortgage payment for one year.

Changes in income result in a change in the amount of the interest subsidy. A sufficient raise in income results in a loss of the interest subsidy and the occupant pays the full market rate of interest on the unit.

Section 221(d)(3) Program

221(d)(3) was an early program providing rental and cooperatively owned multi-family housing for low- and moderate-income households. The program is divided into two sections, market interest and below-market interest rate housing. Under the market rates portion of the program, specific projects may receive rent supplement assistance.

The rent supplement program serves low-income families with incomes eligible for public housing. Under this program the Section 221(d)(3) projects are built with market rate financing but rents are reduced through supplemental payments. Few such projects have been built in the County.

The Below-Market Interest Rate (BMIR) portion of the program serves moderate-income households with incomes up to those shown on Table 12. Under this section, projects sponsored by non-profit and limited dividend corporations receive financing bearing a 3% rate of interest. As of December, 1972, there were 1,386 dwelling units produced in the County under the Section 221(d)(3) below market interest rate program. Two-thirds of these units are located in San Jose. Funds are no longer available under this program, which has been phased out in favor of the Section 236 program.

Section 236 Program

The Section 236 program offers below market rates of interest to non-profit and limited-dividend sponsors for moderate-income rental housing. Under this program, interest rates may be reduced to as low as 1%. As of December 1972, there were 32 projects with a combined total of 3,885 dwelling units built under the program in Santa Clara County. More than half these units are in San Jose. These housing units have provided a significant housing resource for moderate-income families with incomes up to the maximum shown in Table 12. In 1972, the individual units had a rental range averaging from \$100 per month for studio apartments to \$182 per month for four bedroom units. Six projects, accounting for nearly one-fourth of all the section 236 units in the County, have been built especially for the elderly. These projects provide meal services and social/recreational facilities.

Section 235 Program

Section 235 is the moderate-income program for home purchase; the income limits are shown in Table 12. Under this program, qualified households may purchase two or three bedroom homes costing up to \$21,000, and large families may purchase four bedroom or larger homes priced as high as \$24,500. The homes may be either new or existing as long as they conform to FHA property standards. The great majority of units sold with Section 235 financing, which may bear an interest as low as 1%, are built by conventional builders receiving reservations of funds from HUD for a portion of the units in a new subdivision. These reservations of funds enable the developer to market units to qualified buyers with assurance that funding will be available. As of December 1972, a total of 1,760 reservations had been granted to projects in Santa Clara County; there is no information available to indicate the number of these reservations that have actually been used by moderate-income families.

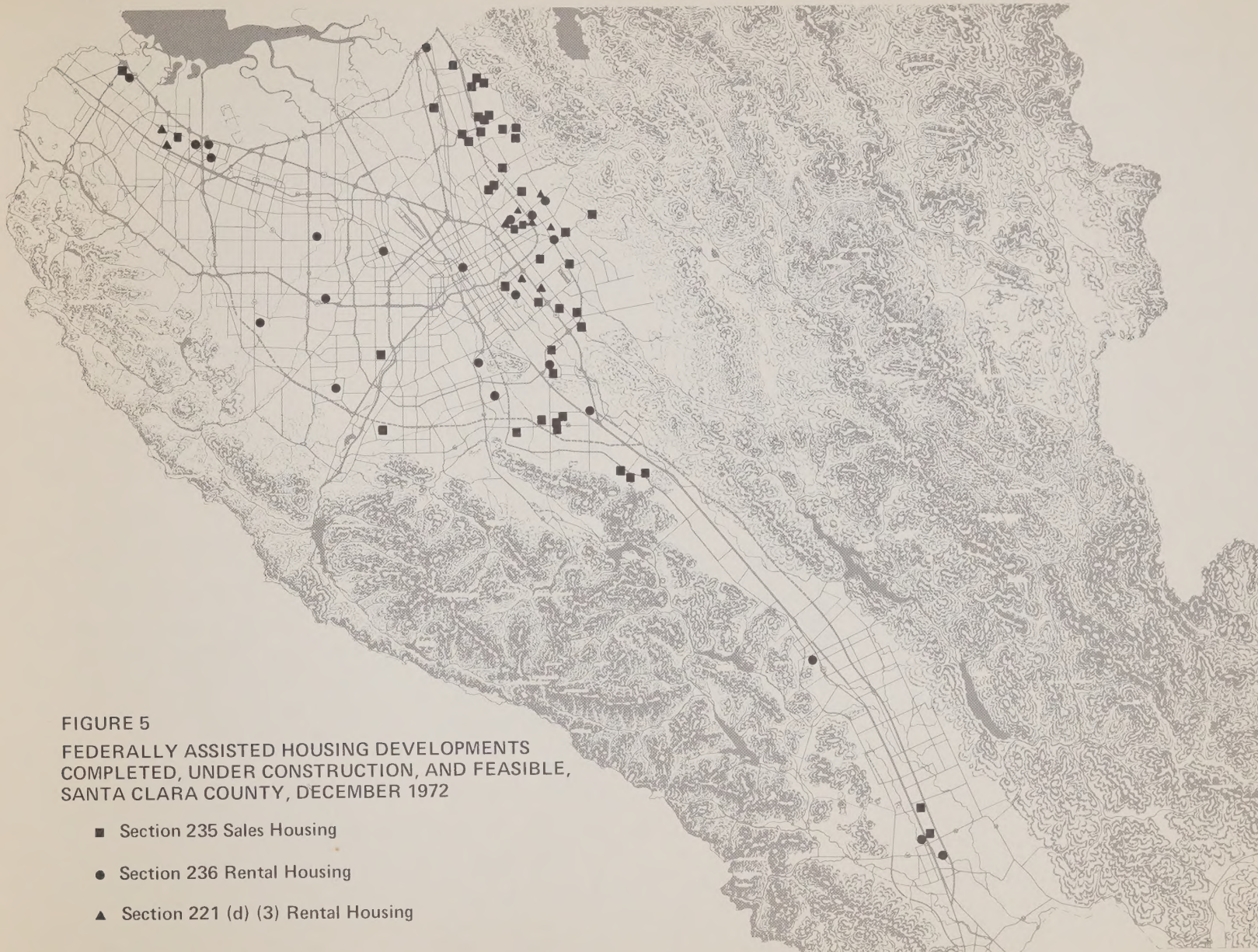


FIGURE 5

FEDERALLY ASSISTED HOUSING DEVELOPMENTS
COMPLETED, UNDER CONSTRUCTION, AND FEASIBLE,
SANTA CLARA COUNTY, DECEMBER 1972

- Section 235 Sales Housing
- Section 236 Rental Housing
- ▲ Section 221 (d) (3) Rental Housing

Two-thirds of the developments with Section 235 reservations have been townhouse subdivisions, the other third have been subdivisions with detached homes.

No more than 20% of the homes in a development are eligible for subsidy under current HUD rules. As with the other moderate-income subsidy programs, San Jose has had the greatest amount of building with nearly three-fourths of the Section 235 reservations in the County.

Table 13 shows the production of federally assisted moderate-income housing by cities for December 1972. The great majority of these units have been built since January 1970. The assisted units have tended to be developed in or adjacent to areas which already have large proportions of low- and moderate-income households. As a result, while these units offer improved living conditions over substandard, overcrowded, or too costly housing, many have fallen short of their potential for providing an expanded choice of residential location for low- and moderate-income households. Low- and moderate-income households are currently found in all cities and towns in the County. However, under the current pattern of subsidized housing location, qualified households needing improved housing may have to leave their present communities in order to occupy subsidized housing. Figure 5 shows the location of federally subsidized housing in Santa Clara County.

TABLE 13
Federally assisted housing for moderate income households,
By cities, Santa Clara County, December 1972

Rental Programs Number of Units Planned, Under Construction and Completed			Home Ownership Reservations*
	Sec. 221 (d) (3)	Sec. 236	Sec. 235
Campbell	---	100	12
Cupertino	---	---	---
Gilroy	---	212	15
Los Altos	---	---	---
Los Altos Hills	---	---	---
Los Gatos	---	---	---
Milpitas	85	171	372
Monte Sereno	---	---	---
Morgan Hill	---	112	---
Mountain View	149	140	10
Palo Alto	166	573	10
San Jose	1,264	2,074	1,341
Santa Clara	80	186	---
Saratoga	---	---	---
Sunnyvale	---	317	---

Source: Joint Cities-County Housing Element Program

* Reservations indicate units for which subsidy funds have been allocated by HUD. The number of units actually sold under the 235 subsidy program is somewhat less, due to purchase of units with reservations by families not eligible for 235 assistance.

Housing Development Corporations

The production of quality housing under the moderate-income subsidy programs may be greatly facilitated by active housing development corporations, similar to the Housing Development Corporation of the Stanford Mid-Peninsula Urban Coalition. A housing development corporation (HDC) is usually a private corporation providing a variety of services including the following:

- It may act directly as the sponsor/developer of federally assisted housing, usually on an interim basis;
- It can provide technical assistance to other sponsors, developers, and mortgagors in the planning, processing, and developing of new or rehabilitated housing for low- and moderate-income households;
- It can act as a land bank for the acquisition, retention, and development of residential sites;
- It can act as the developer of Turnkey and leased public housing;
- It can provide short-term "seed money" loans to both limited dividend and nonprofit housing sponsors.

In order to provide all of these services, the HDC maintains a professional staff and is generally affiliated with a revolving loan fund able to provide capital for the development, land banking, and seed money functions of the HDC.

The Stanford Mid-Peninsula HDC has been active in Section 236 projects in the north county area and has helped produce a number of excellent dwelling units. The central and south county areas have no comparable HDC, although in 1971 the San Jose Chamber of Commerce, the County of Santa Clara, and the City of San Jose sponsored a feasibility study for a Metropolitan San Jose Housing Development Corporation and affiliated revolving loan fund. The study, conducted by the Nonprofit Housing Center strongly recommended the creation of the HDC and the loan fund, and further recommended that the Board of Directors of both organizations include representatives of business, labor, civic groups, and elected officials. Active support of the creation of the HDC, and assistance in capitalizing the revolving loan fund, would greatly contribute to the quality of assisted housing production in the County.

Land-Banking to Facilitate Assisted Housing Development

A housing development corporation can acquire land and reduce or "write-down" the cost upon resale to a sponsor of federally assisted housing. It has been found that providing a method for holding land at a modest price until it is ready for development is a highly effective way to stimulate the production of low- and moderate-income housing.



San Veron Park, a Section 236 development in Mountain View, was built by the Housing Development Corporation of the Stanford Mid-Peninsula Urban Coalition. It provides quality housing for 32 moderate-income families.

One source of land for “banking” is excess publicly held land. State law (Section 50568-70 and 50572-73, Government Code) now requires that excess public lands be inventoried annually and that these lands may be leased, sold, granted, or otherwise transferred for purpose of developing low- and moderate-income housing. Transfer of land under these sections requires a public hearing. These excess lands must first be offered to appropriate agencies for parks or open space use.

Since sites suitable for housing may not be appropriate in size or location for park or open space use, or the park agency may not have funds to make the purchase, the provisions of Sections 50568-70 and 50572-73 appear to offer one significant means of building up housing development land banks. The amount of excess public land that might be made available will vary among cities; the County would typically have little surplus land suitable for residential development since the primary acquisitions by the County are for highway rights-of-way.

Farmers Home Administration Housing Programs

The Farmers Home Administration (FmHA) makes direct loans for low- and moderate cost housing development in rural areas and small towns. Although a substantial amount of housing has been built with FmHA assistance in San Benito, Santa Cruz, and Monterey Counties, only fourteen housing units have been developed in Santa Clara County with FmHA loans. FmHA programs include loans for individual home purchase, site acquisition and improvement loans, loans to nonprofit corporations for development, acquisition and repair of housing for domestic farm labor.

Although much of the South Valley area would qualify for FmHA assistance, the cost of land and zoning requirements limit use of these programs. In 1972, the Morgan Hill office of FmHA authorized loans for single-family development near Hollister and Watsonville on improved lots with a maximum value of \$4,500-5,000. Very few lots are available at these prices in the South Valley area, due to the price of urban land and large lot requirements for development in rural, agriculturally zoned areas. It appears that these factors effectively rule out development of single-family houses on individual lots under FmHA’s 502 program. Multi-family or clustered single-family rental and cooperative housing would appear feasible, however, if the residents were to be employed in agricultural operations on the same parcel of land, as provided in Section 5-2(b) of the County Zoning Ordinance. Private ranches and cooperative farming ventures would be able to take advantage of loans for such housing under the FmHA 515 program. The location and size of the residential developments would necessarily be limited by health requirements for safe water supply and effective sewage disposal.

The January 1973 Moratorium on HUD and FmHA Housing Programs

On January 8, 1973, the Secretary of Housing and Urban Development announced that the issuance of commitments to subsidize low- and moderate-income housing under Sections 235, 236, and 221(d)(3) had been halted by the Administration. A similar announcement was made regarding Farmers Home Administration housing and community facilities programs. The moratorium affected all proposals which had been received by the two agencies but which had not been given approval in the form of a “letter of feasibility.” Although an official statement on the duration of the moratorium was not made, an eighteen-month freeze was unofficially announced.

The stated purpose of the assisted housing funding moratorium was to permit review and, if warranted, modification of the way in which federal housing subsidies are provided. Speculation about the outcome of the review has ranged from new administrative procedures to correct present deficiencies to a new kind of subsidy—perhaps in the form of direct construction loans or “housing allowance” payments to low- and moderate-income families. The future level of federal commitment to housing is also unknown at this time.

State Housing Finance Agencies

State housing finance agencies have been created in over twenty states. The primary purpose of these agencies is to expand the supply of direct mortgage loans and construction loans for moderate-cost housing. State housing finance agencies obtain their funds by selling tax-exempt revenue bonds and make funds available at below-market interest rates to sponsors and developers of low- and moderate-cost housing, including local housing development corporations. They also provide assistance in setting up housing development corporations and offer technical assistance in all aspects of packaging, building and operating assisted housing, including housing built under federal subsidy programs. In a few states, housing finance agencies are actually involved in housing development, generally through land banking and land development activities.

Efforts to create a housing finance agency for the State of California have been unsuccessful to date. Two bills before the State Legislature in 1972 (AB 165 and SB 1454) would have created such an agency, but one of these failed to pass in the closing days of the session and the other was vetoed by the governor. The State Department of Housing and Community Development is preparing a study of the feasibility of creating such an agency. Legislation was reintroduced for consideration in the 1973 session.

SOCIAL CONSIDERATIONS IN HOUSING

Characteristics of Low-Income Households and Minority Persons

To be able to exercise choice in the housing market, households must be relatively unconstrained by discriminatory practices and possess a basic ability to earn income. Poverty and minority racial or ethnic status are two characteristics which make it difficult for many individuals and households to attain satisfactory housing.

Low Income Households

Low income status can be defined in many ways. This report classifies families and individuals as poor if their incomes are below the poverty index adopted by the Federal Interagency Committee for use in the 1970 Census of Population. This index provides a range of income cutoffs or poverty thresholds which reflect factors such as family size and other characteristics affecting minimum income needs. The index increases with family size and is updated annually to reflect changes in consumer prices. As an example, the poverty threshold for a nonfarm family of four was \$3,743 in 1969.

Table 14 provides information from the 1970 Census about families in Santa Clara County with incomes below poverty levels. Table 14 shows that most of the County's poor families do not fit stereotyped images. For instance, most poor families (63%) are Caucasian and over 60% of poor families in the County have male household heads. Additional Census information indicates that over 73% of poor families did not receive public assistance or welfare income in 1969 and that over a third of the male heads of households with incomes below poverty levels were in the labor force during 1969. Information from more comprehensive surveys of the nation's poor show that the pattern exhibited by Santa Clara County's low-income population is typical. Nationwide, the great majority of poor families are of the husband-wife type, are Caucasian and have no children under 18. At least one employed wage earner is present in most poor families.

Certain characteristics, such as age, education level, sex and race do influence the ability of persons to earn income. Comparing columns 2 and 4 of Table 14 shows that the distribution of poor families is not the same as that of the population generally. Minority families and families with female heads represent much larger proportions of poor families than they represent of all families.

Only 3.7% of families with a male head are poor, but over 23% of families headed by a female have incomes less than poverty level. The probability



of having a very low income is over six times as great for families headed by a female than it is for families with male heads. This probability increases if the female head of household is also a minority person.

Other characteristics which influence income include family size. The 1970 Census shows that unrelated individuals (persons living alone or with nonrelatives) are much more likely to be poor than families. Almost 27% of such individuals are poor, a much higher percentage than the 5.6% applying to families. Many unrelated individuals are elderly or young persons who typically have limited earning power. This largely explains the incidence of poverty in unrelated individuals. The Census also indicates that households made up of unrelated individuals of minority racial or ethnic background have higher rates of poverty.

TABLE 14

Selected characteristics of families comparing all families to families with incomes below the poverty level, Santa Clara County, 1970.

	Total Number of Families, Santa Clara County		Families with Incomes Below the Poverty Level	
	(1) Number	(2) Percent	(3) Number	(4) Percent
All Families	262,584	100.0%	14,657	100.0%
Families by Selected Characteristics:				
Race of Head				
Spanish language or Spanish surname	41,519	15.8%	4,541	31.0%
Black	3,782	1.5%	386	2.6%
All Other ¹	217,283	82.7%	9,730	66.4%
Sex of Head				
Male	237,985	90.6%	8,902	60.7%
Female	24,599	9.4%	5,755	39.3%

¹ Caucasian families comprise 95% of this category.

Minority Population

According to 1970 Census data, just under one-fourth of the County population is identified with minority ethnic, and racial groups. Table 15 breaks down the population by racial or ethnic identity, as reported by County residents.

TABLE 15 Ethnic & racial identity of members of minority groups, Santa Clara County, 1970		
	Number	Percent Of Total Pop.
Caucasian: Spanish-speaking or Spanish-surnamed	186,525	17.5
Black	18,090	1.7
Japanese	16,644	1.6
Chinese	7,817	0.7
Filipino	6,728	0.6
American Indian	4,048	0.4
Other	7,489	0.7
Total Minority Population	247,341	23.2
Total Population	1,064,714	100.0

Source: 1970 Census of Population and Housing

The largest minority group in Santa Clara County is persons of Spanish surnames or Spanish mother tongue. These constitute almost 18% of the total County population.¹ Nationwide, such persons represented 5.0% of the population in 1970. In the five other San Francisco Bay Area counties, persons of Spanish surname or mother tongue averaged 11.7% of total population.

Santa Clara County has an unusually small black population (1.7%) compared to other areas. Black persons accounted for 11.1% of the U.S. population according to the 1970 Census. They averaged 10.6% of the population of the five other San Francisco Bay Area counties. The pattern of a high proportion of Spanish language or surname persons relative to other areas and a relatively low proportion of black individuals has been characteristic of Santa Clara County for some time; this pattern has not changed significantly from that of the 1960 or 1966 Census.

Distribution of Low-Income and Minority Households

Low- and moderate-income households and persons identified with

¹Compared with data from earlier censuses, a large increase in the Spanish language population seems to have occurred. This, however, is due to the different definitions used for this ethnic group in the 1960, 1966 and 1970 Censuses. The 1960 and 1966 Censuses used a category defined as Mexican-American. Because of these definitional differences, it is difficult to make a meaningful comparison of numbers of Spanish language and Spanish surnamed individuals between the 1970 and previous censuses.

minority racial and ethnic groups tend to be concentrated in central and eastern San Jose and the older parts of Santa Clara, Mountain View, and Palo Alto. In addition, there are rural areas in which low-income and minority persons make up large proportions of the population. This is particularly true in the South County area.

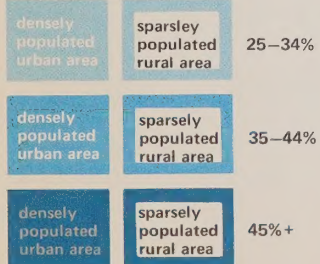
The locational patterns of low- and high-income households are shown in Figures 6 and 7. Figure 6 illustrates areas of concentration of households earning less than \$5,000. Figure 7 shows areas with above average proportions of high-income households. In general, the West Valley and western foothills have large proportions of higher income households, while lower income households are concentrated in the older central cities, the east valley, and the southern portion of the County.

Figure 8 indicates areas where minority persons constitute a relatively large proportion of the population. The minority population tends to be concentrated in roughly the same areas as the low-income households. The per cent distribution of low- and high-income households and of minorities has existed since at least 1960, and was demonstrated in the Planning Policy Committee publication, *The Housing Situation: 1969, Santa Clara County*.

Increased economic polarization of residential location appears to have occurred between 1966 and 1970. This is indicated by census tract information showing increased concentrations of low- or high-income households in 1970 for areas which had relatively high concentrations in 1966. In 1966 the county-wide average of households with incomes of \$5,000 or less, in constant 1969 dollars, was 16.0%. This percentage rose slightly to 18.1% in 1970. The 1966 percentage of high income households (incomes of \$20,000 or more in constant 1969 dollars) was 8.4%. This percentage rose to 17.7% in 1970. The median household income rose from \$8,500 in 1966 to \$11,539 in 1970. These changes show that although much of the population has experienced a rapid rise in income, the lowest income segment has not shared in this increase. In fact, both the number and the proportion of low-income households have increased with respect to the population as a whole.

The concentration of low- and high-income groups in geographically separate areas is shown on Figure 9. Areas with 25% or more low-income households in 1966, which showed higher percentages of such households in 1970, are shaded light. Areas with 20% or more high-income households in 1966, which showed greater concentrations in 1970, are shown in a dark shade. *The Housing Situation: 1969* made a similar comparison of economic polarization. The present study shows a continuation of the patterns of concentration noted between 1960 and 1966.

FIGURE 6
PERCENTAGE DISTRIBUTION
OF HOUSEHOLDS WITH
INCOME LESS THAN \$5,000, 1970
BY CENSUS TRACTS



18% of all households in the County had incomes less than \$5,000 in 1970

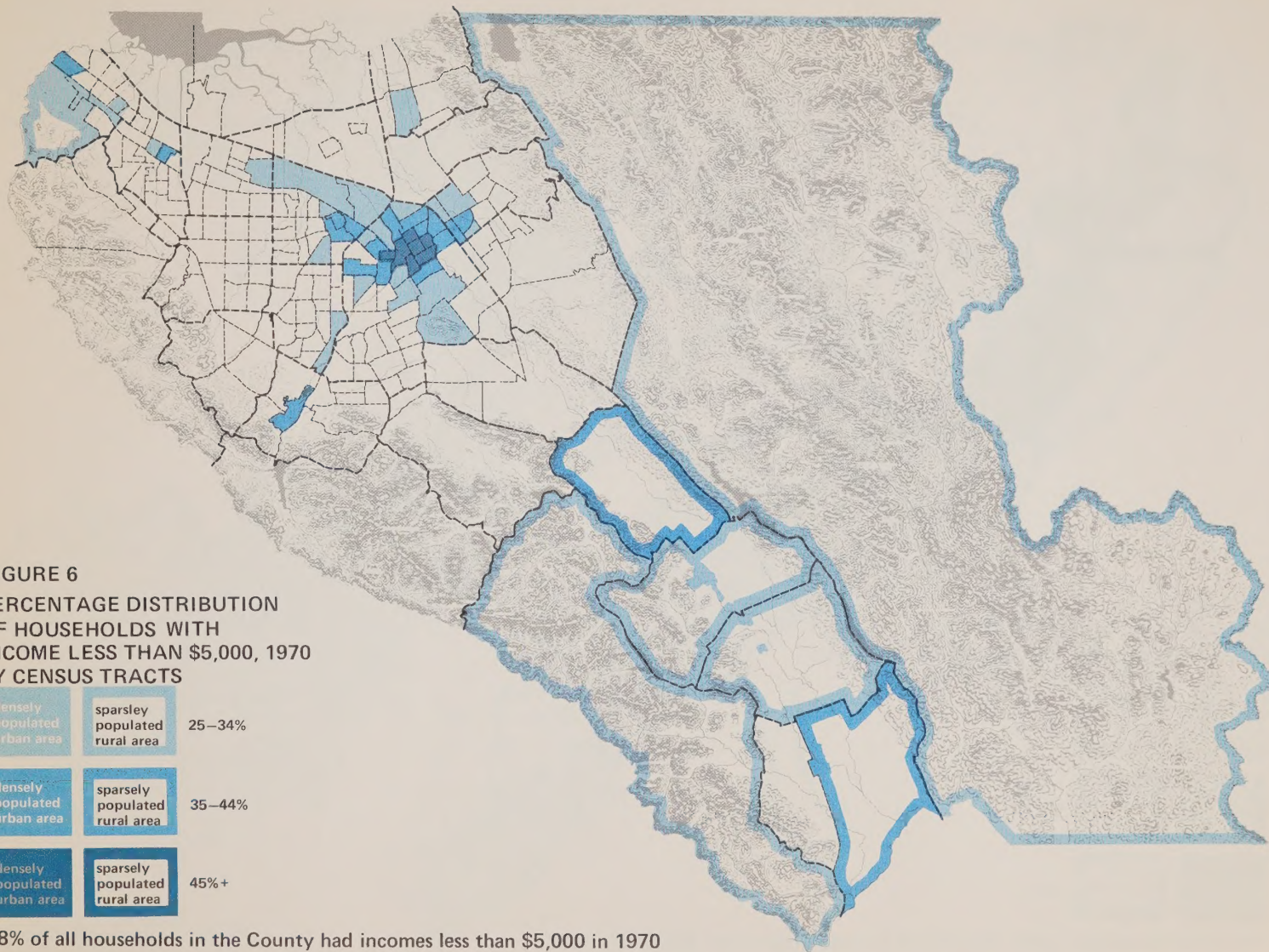
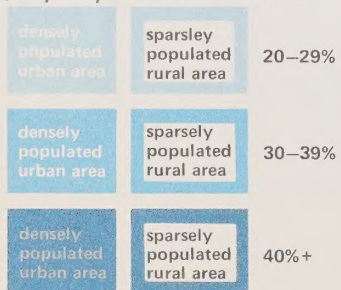
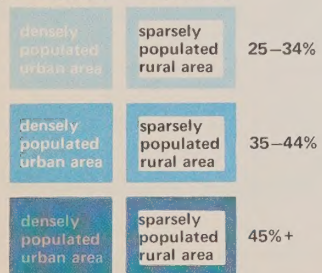


FIGURE 7
PERCENTAGE DISTRIBUTION OF
HOUSEHOLDS WITH INCOME GREATER THAN
\$20,000, 1970 BY CENSUS TRACTS

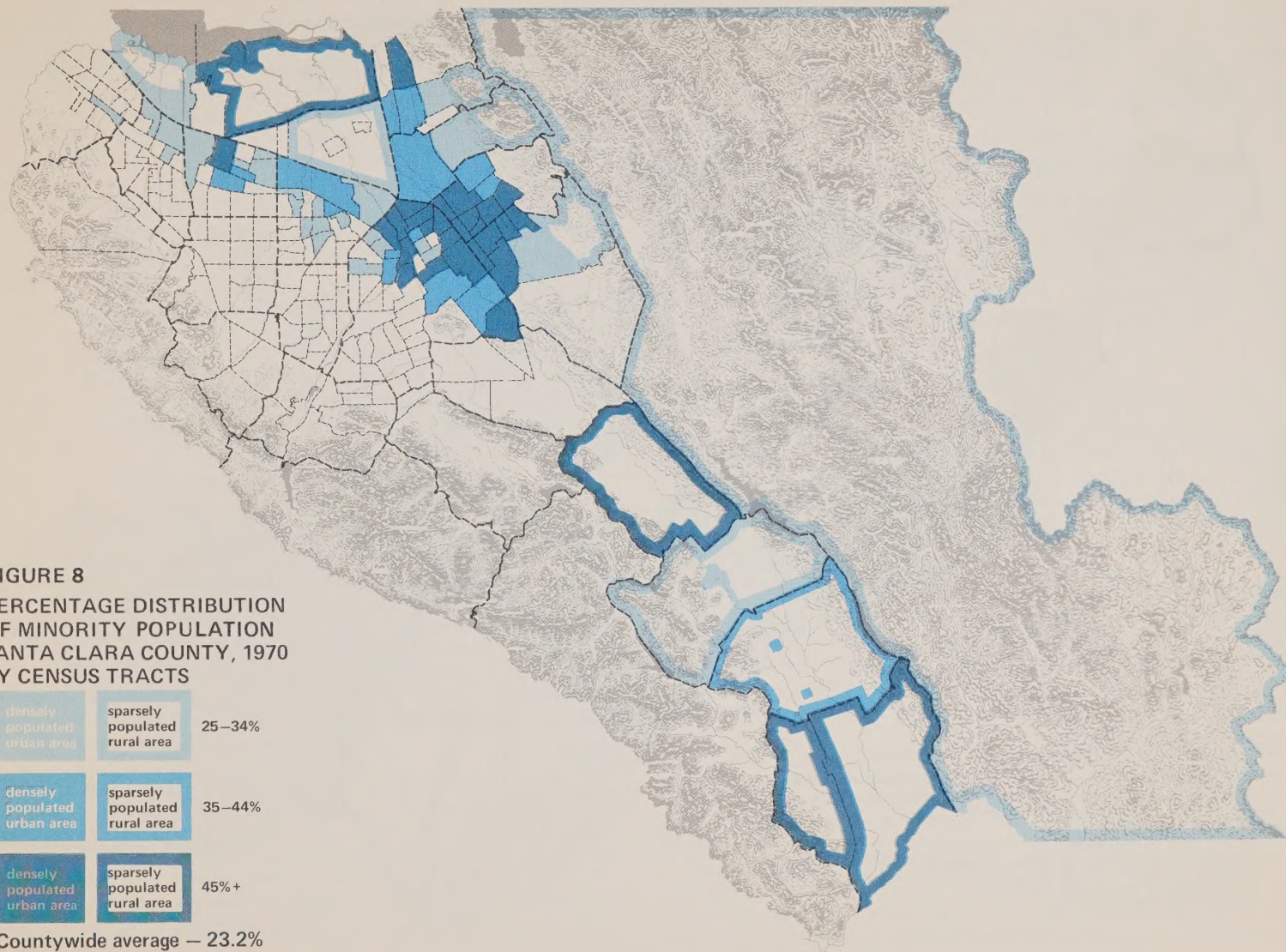


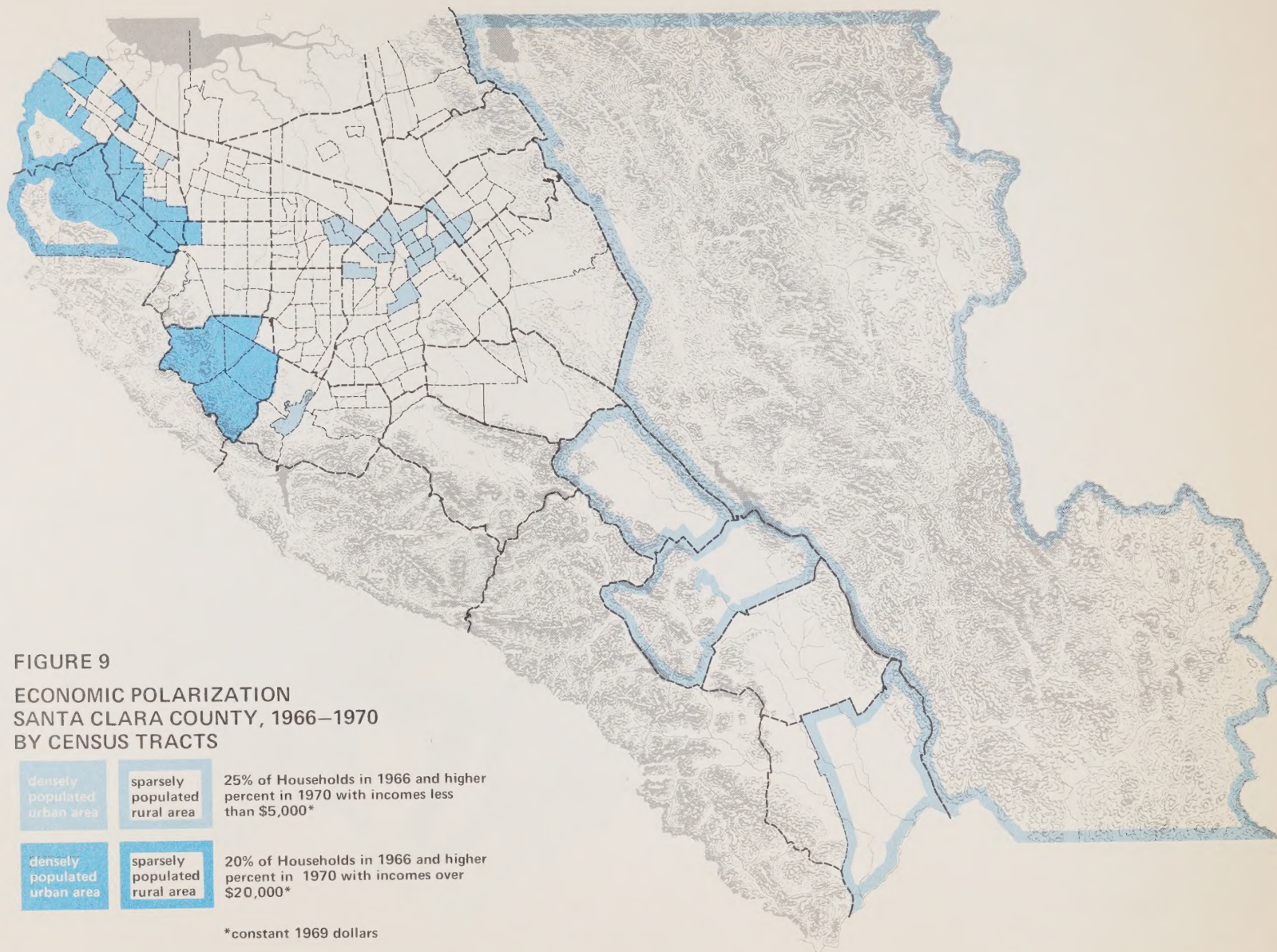
18% of all households in the County had incomes greater than \$20,000 in 1970

FIGURE 8
PERCENTAGE DISTRIBUTION
OF MINORITY POPULATION
SANTA CLARA COUNTY, 1970
BY CENSUS TRACTS



Countywide average — 23.2%





Characteristics of Housing Occupied by Minority Families

Many minority households and persons have low incomes and are unable to compete for quality housing. Comparing the housing occupied by minorities, Spanish language or surname and black households, with units occupied by all other¹ households shows the result of differences in purchasing power: Households in the two minority groups generally occupy less expensive units than do all other households. In 1970, the median gross rent ² of units occupied by Spanish surname or language and black households was about \$135. The median gross rent of all other households was about \$160. The median value of units owned and occupied by Spanish surname or language and black households was about \$25,000. The median value of units owned by all other households was \$30,000.

Data indicate that minority households spend larger proportions of their incomes for housing than other households even though they tend to occupy housing of lower value. The 1970 Census shows that almost 64% of Spanish surname or language and black households with incomes less than \$10,000 spent more than 25% of their incomes for rent. Only 30% of all other households with similar incomes spent more than 25% of income for rent.

Location of Federally Assisted and Public Housing

The earlier discussion of federally assisted and public housing noted that countywide, much of the housing provided through these programs has been located in areas of existing concentrations of low-income and minority population. Land cost and zoning are among the major contributing factors to this situation. A comparison of Figures 6 and 8 with Figure 5, showing the location of federally subsidized housing, shows the extent to which assisted housing has followed existing social and economic location patterns. It should be noted, of course, that nearly all the subsidized housing has been constructed in the last three years, while the minority and low-income concentrations have existed in these general areas for a considerable number of years.

In late 1971, HUD revised its review procedures to be more sensitive to providing an "improved residential location" for lower income and minority households. Higher priority was given to projects located outside areas of lower income and minority concentration. Concern about this development pattern also prompted the Planning Policy Committee of Santa Clara County to adopt a housing goal of insuring the "provision of a variety of individual choice of tenure, housing type and

¹Caucasian households represent 95% of this category.

²Gross rent includes the rent paid to the landlord plus an allowance for utilities not included in rent.

location." The Housing Advisory Committee of the Planning Policy Committee also developed a proposal for promoting the distribution of federally assisted housing among the cities. This proposed method, described in the draft report, "Production Objectives for Assisted Housing,"³ is based on the ability of cities to accommodate assisted housing, and considers a variety of fiscal, social and physical measures of that ability.

Housing Location Patterns and Economic Stratification

The rapid rate of growth experienced by Santa Clara County in the 1950's and 1960's encouraged and necessitated large-scale residential development. Responding to this very great demand from a skilled, middle-income workforce, developers built extensive subdivisions of similarly priced houses on similarly zoned land. The result has been the effective division of newly developed areas into large tracts occupied by families in narrow income ranges.

Both zoning and rapid large-scale development tend to dictate this type of economic stratification. Zoning has this effect because the conventional zones establish a minimum lot size which becomes the typical lot size for the entire tract. Large-scale development also contributes to economic stratification by use of highly standardized construction methods. Moreover, developers and lenders tend to regard marketing a subdivision to a homogenous income group as a safer business risk than marketing homes with a wide price spread.

This pattern of development creates some frequently overlooked social and public costs. For one, the resulting segregation of the population by social class and income tends to produce segregation by age. This can lead to situations in which turnover in ownership occurs within a short period of time, possibly weakening or destroying the established sense of community.

Such a pattern also produces a fluctuating demand for public facilities and services, leading to unnecessary duplication and expense by local government. For example, elementary schools urgently needed to serve a new subdivision may be seriously underutilized ten or fifteen years later if all the homes were originally purchased by young families. Additionally, a large concentration of similarly priced housing contributes to inequality of property tax resources. The Serrano vs. Priest decision (California State Supreme Court, 1971) established that when school finance must depend on unequal resources, the students' constitutional right to equal protection under the law may be violated.

³Joint Cities-County Housing Element Program, "Production Objectives for Assisted Housing: Draft Nine," August, 1972.

Because of concern over the social and economic stratification associated with extensive development of similarly priced housing, the Planning Policy Committee has recommended (in *The Joint Housing Element, 1971*) that all local jurisdictions adopt the following policies to discourage concentration and promote a more desirable level of income diversity:

- The use of zoning in ways which exclude persons on the basis of racial, economic, ethnic, or age characteristics is unacceptable in the cities and unincorporated areas of Santa Clara County;
- Zoning is to be used in ways which will encourage variety and mix in housing types and provide adequate sites for housing persons of all income levels in each jurisdiction, and generally in proportion to the array of income levels provided by employment opportunities in each jurisdiction;
- It should be the policy of each municipality to encourage a mix in the type and cost of housing units in new subdivisions and apartment complexes as a prerequisite to the granting of planned unit developments.

Continuing Social Problems Related to Housing

Housing Discrimination

A study conducted for the Joint Cities-County Housing Element Program by the University of Santa Clara Law School (Stuart L. Deutsch, et al. *Fair Housing in Santa Clara County, 1972*), found considerable evidence of discrimination in the sale and rental of housing on the part of Santa Clara County lenders, realtors, builders, apartment managers and mobile home park owners. HUD and the State Fair Employment Practices Commission (FEPC) are both charged with enforcement of federal and State fair housing laws. However, neither of these agencies maintains offices in the County nor has sufficient staff in the region to respond to complaints on a regular basis. Two private agencies, the Mid-Peninsula Citizens for Fair Housing (MCFH) and Operation Sentinel receive housing discrimination complaints, and follow them up with referrals to the FEPC or with "housing checker" visits to determine the extent of discrimination. If warranted, managers are notified of their illegal actions and unless satisfactorily resolved, cases are filed in either State or federal court.

MCFH also conducts "audits" of rental housing to determine the response of apartment managers to rental inquiries from whites and blacks of similar age, income, occupation and other characteristics. Audit surveys conducted by MCFH in northern Santa Clara County during 1972 found discrimination in varying degrees in apartment rentals as shown in the following table.

TABLE 16

Results of survey to determine degree of discrimination
in housing rentals, Northern Santa Clara County cities, 1972

City	No. of Complexes	Number of Units in Complex	Percent of Units in Complexes Practicing Discrimination
Mountain View	73	20+	41%
Sunnyvale	77	20+	54%
Palo Alto I ^a	43	14+	58%
Palo Alto II	39	20+	56%
Cupertino	11	14+	45%

^aI and II indicate separate surveys, conducted several months apart.

Source: Mid-Peninsula Citizens for Fair Housing

Agencies such as MCFH, however, are not sufficiently funded, staffed or visible in the community to be effective in halting the pervasive discriminatory pattern still apparent from the study's survey of realtors, apartment managers and others involved in selling and renting housing. There are no local minority-run organizations actively involved in fair housing, a factor that appears to inhibit minority persons from seeking help when they are denied an opportunity to rent or buy a housing unit.

A major problem found in the *Fair Housing* report is lack of familiarity with fair housing laws. Many realtors and apartment managers appear to continue illegal practices in relative unawareness of the provisions of the federal and State fair housing laws. Moreover, persons discriminated against often are not fully aware of their rights and do not seek assistance. Both the MCFH surveys and the *Fair Housing* report indicate that the most numerous violations of the fair housing laws are made by apartment managers.

The *Fair Housing* report recommends creation of a countywide private agency to receive discrimination complaints and seek relief, provide rental referral services to persons and groups experiencing housing discrimination, and conduct auditing programs to determine the incidence of discrimination.

The County of Santa Clara has taken a potentially significant step in addressing problems of housing discrimination by creating a Human Relations Commission. This commission, when fully in operation, can serve as the focus of efforts to resolve housing discrimination complaints. Both professional staff and volunteer activities of the Commission could be channeled toward publicizing the provisions of the fair housing laws, emphasizing the rights of people to obtain housing without regard to racial or other minority status, and facilitating the processing of complaints regarding discrimination.

Tenant-Landlord Relationships

Thirty-eight percent of the households in Santa Clara County rent their housing units. For both tenants and landlords, the rights and obligations of rental arrangements are a major housing concern. Recognizing this concern, the Planning Policy Committee of Santa Clara County has published and made available a model rental agreement or lease. This model lease is intended to describe a fair contractual agreement, balancing the interests and obligations of each party.

In 1970, the San Jose City Council created a Tenant-Landlord Hearing Committee to deal with the numerous complaints from landlords and tenants concerning amounts of security deposits and conditions attached thereto, undue restrictions on occupancy, failures to pay rent and other problems arising from rental arrangements. The Hearing Committee appears to be an effective means of resolving the majority of complaints; by simply serving as a forum or an interested outsider, the committee generally brings the parties to an agreement. The committee has found that increases in rental vacancy rates reduce the number of complaints, indicating that landlords are more anxious to attract and retain tenants under these less favorable market conditions. In view of the favorable experience of the San Jose Hearing Committee, it has been recommended that the County Human Relations Commission should consider incorporating such functions within its range of activities.

Housing Referral Services for Low- and Moderate-Income Families

Santa Clara County has no central source of information about housing currently available under Federal subsidy programs. Newspaper advertising, the chief source of house and apartment listings, frequently does not mention that federal subsidies are available. Public and private agencies frequently receive requests for this kind of information from lower income households and have no up-to-date source to which to refer. Four County departments or agencies are involved in making referrals or assisting low- and moderate-income families in finding housing. These are the Department of Public Works, the Social Services Department, the Planning Department and the County Housing Authority. Creation of such a function within County government would expedite these referrals, provide a more satisfactory response to families making inquiries, and help make housing assistance more available to those in greatest need.

Inadequate Housing Counseling Services and Legal Assistance.

The two agencies which provide housing counseling services to Santa Clara County residents, Model Cities and HUD, are inadequately funded and staffed to meet the demand for their services. The report *Social*

Concerns in Housing, published by the Planning Policy Committee, identified this deficiency, along with the limited number of locations in the County where these services are offered, as the major obstacles to providing needed assistance to lower income households. A similar inadequacy is found in the availability of legal services for households needing such assistance to resolve housing-related problems. The Legal Aid Society of Santa Clara County and the California Rural Legal Assistance Agency, while active in housing issues, do not have sufficient staff to meet the demand.



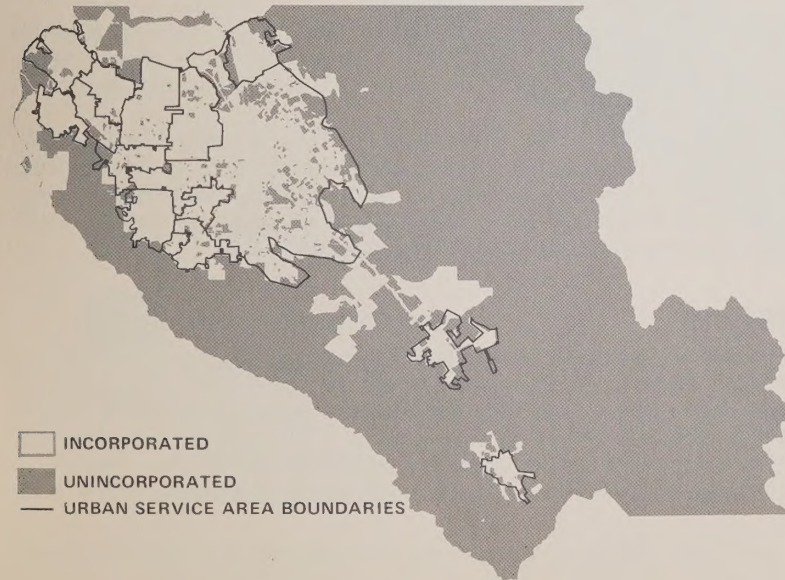
HOUSING IN THE UNINCORPORATED AREAS

INTRODUCTION

Nearly 15% of the County's population and 14% of the housing supply are found in the unincorporated areas. The housing characteristics and issues described in the preceding section of the Housing Element are generally shared by these unincorporated areas as well as by the cities. Like city neighborhoods, the unincorporated areas vary widely in house values, size and character of development, present condition, and population characteristics. Some of the most expensive housing in the County is found in unincorporated areas, while some of the most seriously substandard housing units are also located in unincorporated territory.

Because housing in the unincorporated areas is under the jurisdiction of the County, special topics and issues concerning housing and residential development in these areas have been explored in this Housing Element. Particular attention has been given to the relationship between adopted urban development policies of the County, and existing urban development that has not been annexed to cities. Descriptions of the larger and more significant areas of this type are included in the following discussion.

Another special topic concerned with housing in unincorporated areas is the problem of substandard housing conditions in rural areas. This is also discussed in the following section.



OVERVIEW: SOCIO-ECONOMIC CHARACTERISTICS OF THE UNINCORPORATED AREA

In 1970, nearly 15% of the County's population and housing supply was found in the unincorporated areas. In the South Valley portion of the County, 40% of the population was living in unincorporated territory.

A general comparison of the housing and housing-related characteristics of unincorporated territory with those of incorporated areas shows that housing in the unincorporated areas tends to be somewhat older than housing located in cities and, on the average, lower in value. The median value of owner-occupied housing countywide was \$27,300 in 1970; the comparable median for housing in all cities was \$27,600 and for all unincorporated territory \$24,800. Overcrowding is more prevalent in unincorporated areas than in the County as a whole.

Median family income is also somewhat lower for residents of unincorporated areas than for the County as a whole and for all cities. The figures are:

Countywide median family income	\$12,453
Median family income, all cities	12,597
Median family income, all unincorporated area	11,598

Unincorporated areas have a higher proportion of families earning less than \$5,000 a year than is found countywide or in the cities; the comparable proportion of such families is 13.1% in unincorporated territory, 10.9% countywide and 10.5% in the cities. The unincorporated areas also have an older population, with a higher proportion of residents over 55 than would be indicated by their share of the total County population. Conversely, unincorporated areas have a lower proportion of residents in the 25-44 year old category than prevails for the County as a whole.

School data indicate a higher proportion of minority group members in some of the residentially developed unincorporated areas than is typical of the County as a whole. For unincorporated areas as a group, however, the proportion of minority residents is the same as the countywide average—approximately 23%.

The foregoing overview looks only at averages, and therefore does not attempt to describe the wide range of housing and socio-economic conditions represented by the many, widely dispersed settlements in the unincorporated territory. More specific areas and information will be discussed below.

RESIDENTIALLY DEVELOPED UNINCORPORATED AREAS

Areas of residential development outside the corporate limits of cities are widely dispersed in the County. In January 1972, the Board of Supervisors of Santa Clara County reaffirmed their 1967 resolution that "Existing and future urban land uses should be in cities." Further direction for implementing this policy was stated in a companion goal: "Urban expansion should be planned and programmed by the cities on a staged basis, in cooperation with the County, and urban service area boundaries should be approved by the Local Agency Formation Commission."

Although these policies are based on many issues and needs, one highly significant issue from the County government viewpoint is their potential for reducing expenditures for public services. This potential can be realized by encouraging urban development in areas with underutilized or easily expanded public facilities and services, by minimizing the extension or dispersion of urban services through undeveloped or very low density areas, and by eliminating service duplication. The County has recognized in its urban development policies that cities are best able to provide public services and facilities in this manner.

Despite adoption of the urban development policies, a number of existing, residentially developed areas remain in the unincorporated portion of the County. By remaining unincorporated, these areas generally have a lower level or quality of public facilities and services than do adjoining cities. They tend to impose additional, uncompensated costs on cities by absorbing "spill-overs" in city-provided services. Also, because the County does not provide all the services in these areas (some are provided by special districts) adequate budgetary coordination is not available to insure that if some services and facilities are provided, the other necessary services can also be provided. For example, sewer and water utilities, street improvements and schools are all provided by separate entities with no institutional mechanism for coordination of their efforts and expenditures. Given this need for coordination of public services, and considering the County's overall development objectives, the annexation of existing developed areas should be encouraged.

Many of the residentially developed unincorporated areas, particularly in the North Valley, were developed originally as villages or isolated subdivisions, and are therefore older and different in physical and population characteristics than the newer suburban development that has occurred around or adjacent to them. These factors tend to hinder both the social and the political assimilation of many unincorporated enclaves, a situation that will be described in greater detail in some of the discussions of individual areas.

The following material describes the larger and most easily identified residentially developed unincorporated areas. In several cases, as in the area between Campbell and Los Gatos, the description of the largest unincorporated area, San Tomas, is representative of a number of small, unincorporated enclaves. Other areas described in the following pages received special attention because Census data showed an unusually great concentration of lower income households and lower priced housing there. This set of descriptions is not intended to be complete, but rather to illustrate the kinds of conditions occurring in unincorporated areas and to call attention to areas that have special needs.

Olinder: San Jose Model Neighborhood District

Portions of the Olinder neighborhood of the San Jose Model Cities Neighborhood District are in unincorporated territory. Fifteen per cent of the residences in these unincorporated areas have been identified as sub-standard or having major deficiencies. The area, which includes mixed residential and industrial uses, is described by consultants to the City of San Jose as severely blighted. The consultants have suggested that some of the existing residences be relocated to permit a sorting out of the presently mixed land uses.¹ Fifty-three percent of the housing units in the area (combined city and County) are renter-occupied, and population data show a high incidence of poor single persons and poor elderly persons.

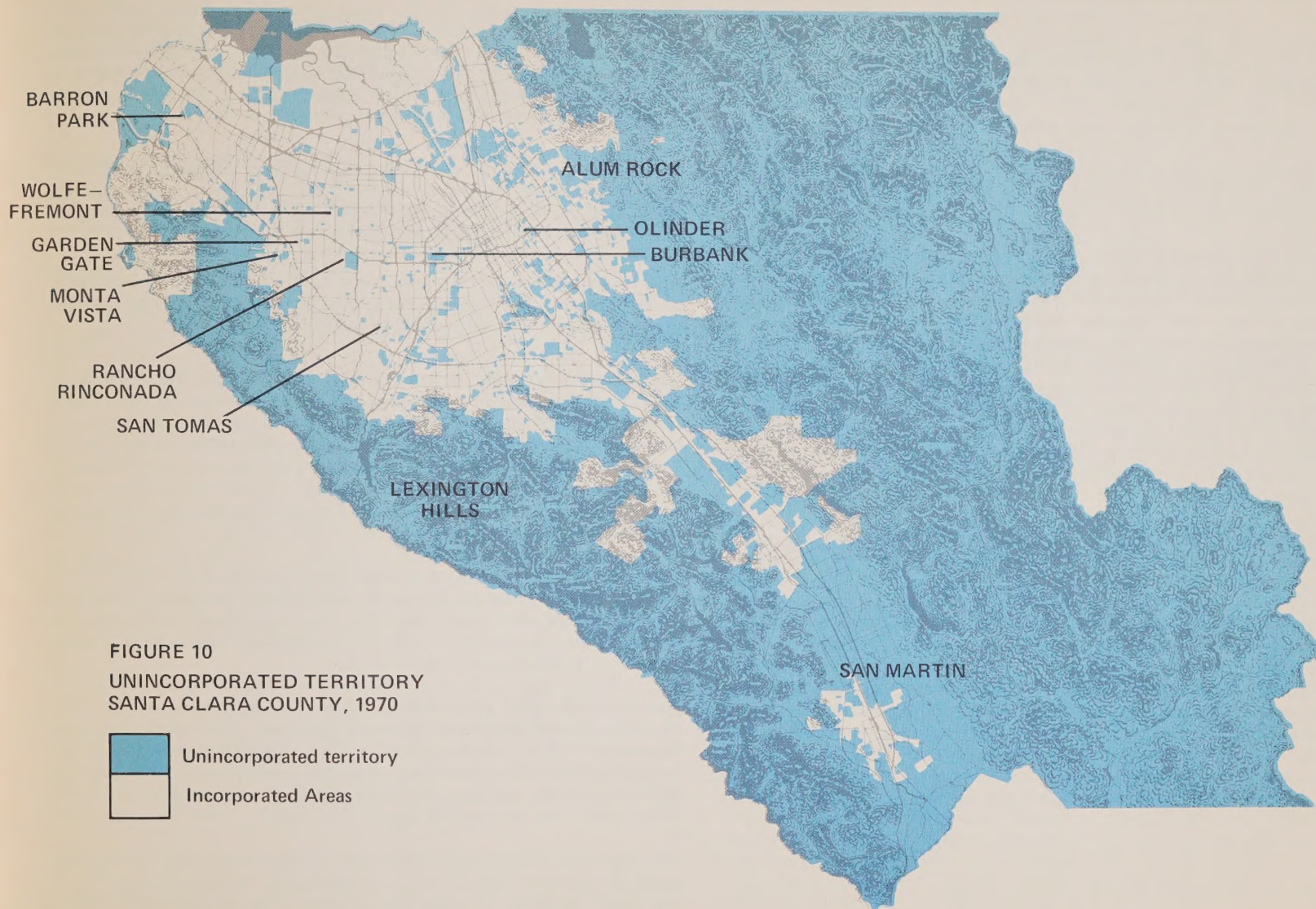
School enrollment data show a very high proportion of minority students in Olinder; over 75% of the students at McKinley school were minority group members, while Santee school had a 50% minority enrollment.

Olinder's location at the interchange of U.S. 101 and Interstate 280 undoubtedly increases the area's potential for commercial, industrial and other more intensive development and redevelopment. Under these conditions, it appears likely that the City of San Jose will seek to annex the remaining unincorporated areas within Olinder.

Burbank

The Burbank area is surrounded by incorporated, developed lands within the City of San Jose. Boundaries of the area are Bascom Avenue, West San Carlos Street, Interstate 280, Rutland Avenue, Richmond Avenue and Scott Street. The area contains about 2,700 housing units. Although homes in the area appear generally well maintained, they are now forty to fifty years old. Many are undoubtedly expensive to maintain and in some

¹ *Larry Smith and Company, Inc. Model Cities Neighborhood District: Economic Background Report Memoranda, San Jose, California, August 1972.*



cases may be approaching the end of their useful life. The median value of owner occupied housing in Burbank was \$19,300 in 1970, well below the countywide median of \$27,300. The median rent in 1970 was \$103, also substantially lower than the County median, \$143. About half of the homes were valued at less than \$10,000 or rented for less than \$100 a month in 1970. Although two-thirds of the area's housing units are single-family detached dwellings, only about 40%—1,000 units—are owner-occupied. The high proportion of renter-occupied single-family units indicates a substantial amount of absentee ownership. An above average number of households include boarders and roomers, as is typical in older and less affluent neighborhoods.

Burbank's population is older and poorer than the County average. The median 1969 income of families in the area was \$8,500, one-third below the County median; 10.5% of the population fell below the poverty level based on their 1969 incomes. Burbank has more than double the countywide proportion of residents over 55 years of age. Twenty-nine per cent of the area's population is in this age group, compared with 12% countywide. The area also has a high proportion of minority residents; school enrollment data show that nearly half the students in the Luther Burbank district are minority group members, principally Spanish surnamed. The Luther Burbank elementary school is currently operating below its capacity, further indicating the shift to an older population in the neighborhood.

Burbank was originally subdivided into small lots and blocks, served by narrow streets. As a consequence, residential density is high for a single-family neighborhood, and streets are congested. Commercial development along the arterials bounding the area and construction of Interstate 280 have effectively separated Burbank from other residential areas.

The opening of Interstate 280 between U.S. 101 and Highway 17 is seen as an impetus to land use changes in the Burbank area. However, because of the limitations imposed by the existing street systems, the County Department of Public Works has recommended that any development that would generate a greater volume of traffic than the densities possible under the present zoning will not be permitted in Burbank.¹

¹ *County of Santa Clara Department of Public Works, "Report on Traffic Conditions and Relationship to Land Uses in Burbank Area" memorandum to the Board of Supervisors, October 4, 1972.*

Alum Rock

The Alum Rock planning area includes both land within the San Jose city limits and unincorporated territory in the foothills of the Diablo Range. The unincorporated portion of the planning area is bounded generally by Capitol Avenue, Story Road and McKee Road, and extends to Mount Hamilton Road. White and Alum Rock Roads cross the area.

Below Fleming Avenue, residential development consists primarily of small, single-family homes on narrow lots. The area is generally fully developed, but lacks full street improvements. Homes in the area are modest but generally appear well-maintained.

Above Fleming Avenue, on steeper terrain, larger homes are found, some on very large parcels. Census data and field observation indicate that this area has some of San Jose's most expensive homes.

Census information for the entire unincorporated area within the Alum Rock planning area show a median house well below the countywide median—\$20,400 versus \$27,300. Seventy percent of the owner-occupied housing units in the unincorporated area are valued at less than \$25,000. These moderate house values have enabled the County Housing Authority to lease homes in the area for occupancy by low-income families. As of late 1972, the Housing Authority maintained 123 units of leased housing in this area.

Although the proportion of moderately priced units is high, the area also includes about 550 homes valued at over \$35,000, with about a third of these valued at more than \$50,000. This high-valued portion of the housing supply accounts for 13% of the total owner-occupied housing in the unincorporated areas of Alum Rock.

Just as house values range widely in the Alum Rock area, so do family incomes. The median family income for the unincorporated parts of Alum Rock was \$10,776 in 1969, 15% below the countywide median. Seven per cent of the families had incomes below the poverty level, compared with 5.6% countywide. However, it should also be mentioned that 25% of the families had incomes over \$15,000.

The Alum Rock School District has a high proportion of minority students, primarily Spanish-surnamed students. It also has the highest proportion of Black students of any district in the County. The unincorporated portion of Alum Rock has a substantially older population than the average; the proportion of persons over 55 exceeds the County average by one-third.

The Alum Rock unincorporated area has resisted annexation consistently, indicating that residents are generally satisfied with the services they receive and would not see an advantage in paying increased taxes to obtain more or better services. If the question of annexation remains the subject of majority vote by area residents, it appears that Alum Rock will remain unincorporated for some time to come.

Rancho Rinconada

Rancho Rinconada is a large subdivision developed in the mid-1950's. It is located between San Jose and Cupertino, and is bounded generally by Stevens Creek Boulevard, Interstate 280, the Lawrence Expressway, Bollinger Road and Tantau Avenue.

Rancho Rinconada's owner-occupied housing units had a median value of \$21,000 in 1970; the median rent for rental houses was \$173. Because of these moderate prices, the area plays a significant role in providing housing for moderate- and lower-middle income households in the west valley area. Newer residential development in this general area is typically quite expensive. Rancho Rinconada is the kind of development which deserves particular public attention to maintaining its housing supply and environmental quality.

Some potential problems can be identified from Census information about the area. One-fourth of the homes in Rancho Rinconada are renter-occupied. Because the area's housing supply is made up entirely of single-family units, this suggests a corresponding amount of absentee ownership. Ten per cent of the houses are overcrowded, with more than one person per room, and family sizes are above the County median, particularly for renter families.

The median family income for Rancho Rinconada was \$11,225, 10% below the County median. The number of families with incomes below the poverty level was comparable to the County proportion—about 5½%. The age distribution of Rancho Rinconada residents is also comparable to the countywide population distribution. Enrollment in the elementary schools serving Rancho Rinconada show a slightly greater proportion of minority students than in other Cupertino schools.

Rancho Rinconada is within the Cupertino sphere of influence, and eventual annexation to Cupertino is anticipated. A survey of area residents has shown stronger identity with Cupertino than with San Jose, which borders Rancho Rinconada on the east. Cupertino's overall annexation policy, stated in the Cupertino Goals Committee Report (August, 1971) is: "Annexation should be made only on the basis of

mutual benefit to both the City and the annexed area in an attempt to overcome inequities."

Short of annexation, another policy states that "Unincorporated contiguous areas should be encouraged to join in a common community effort to effect mutual goals."

Garden Gate

Garden Gate is a post-World War II subdivision located along Stelling Road Between Interstate 280 and Stevens Creek Boulevard. The houses are small and, in the area east of Stelling, show signs of substantial deterioration. Many of the original two-bedroom 1100 square-foot houses in the area have undergone numerous additions. A check of several units with For Sale signs in January 1973 found asking prices of \$26,500 to \$29,500.

Since the area was originally served with septic tanks, lot sizes are 100 x 100 feet. The area is now sewerred, but street improvements have not been made. Commercial uses are beginning to enter the subdivision, particularly along Stelling Road. The Cupertino Planning Department does not favor commercial use in this area, viewing commercial zoning as creating undue pressure on the residential character of the neighborhood.

Income data are not available for this area. The proportion of minority students in this area is high (16%) for the Cupertino area.

Monta Vista

Monta Vista extends from the Southern Pacific Railroad west to Stevens Creek, and from Stevens Creek Boulevard south to McClellan Road. Monta Vista originated as a stop on the railroad, serving as a shipping point for Permanente Cement and a residential location for cement plant workers. Lot sizes vary; houses are generally small and many date from about 1920. Exterior maintenance varies, but the general level of property maintenance appears adequate. A few streets are unpaved, but none of the streets is fully improved.

Census data for Monta Vista cannot be separated from data for adjacent incorporated areas. However, Census data for the general area indicate an above average proportion of older residents and incomes averaging below the countywide figures. According to the school district information, the Monta Vista Elementary School has few minority students.

The City of Cupertino has encouraged community organization efforts in

Monta Vista directed toward annexation. Monta Vista was represented on the Cupertino Community Goals Committee and participated actively in preparation of the August 1971 Goals Report. Cupertino plans to await a bid for annexation by Monta Vista, rather than initiating such action. A subcommittee of the Goals Committee is currently developing a proposal outlining the rights and obligations of the city and the residents of Monta Vista in an annexation. Monta Vista is included in the Cupertino general plan, which calls for maintaining and upgrading the area, with needed public improvements, rather than changing the density or type of use.

The unincorporated area west of Stevens Creek, referred to by Cupertino officials as the Foothill Boulevard area, is being annexed piecemeal by the city, largely as development occurs.

Wolfe Road and Fremont Avenue

This area, extending south and east from the Wolfe Road-Fremont Avenue intersection, is completely surrounded by the City of Sunnyvale and is the largest residentially unincorporated area within the Sunnyvale urban service area. The subdivision includes 288 single-family detached housing units, about one-fourth of which are renter-occupied. The median value of owner-occupied housing in the area was \$19,800 in 1970, well below the County median of \$27,300. Rents for the two- and three-bedroom, post World War II houses typical of the area averaged \$157 in 1970.

The median family income for the area was \$9,587 in 1969, almost 25% below the countywide median. Over 11% of the families had incomes below the poverty level. The area's age profile is not substantially different from that of the County. School enrollments include about 20% minority students.

The City of Sunnyvale has been unsuccessful in several attempts to annex this area. City officials believe that since the area is served by Sunnyvale's water and sewer system, the residents see no advantage in annexation. Streets are unimproved, however, and the area suffers from inadequate storm drainage.

Lexington Hills Area

Residential development in the Santa Cruz Mountain area of Santa Clara County has focused on the hills south of Lexington Reservoir. There are four more or less distinct communities in this area, along old Santa Cruz Highway: Redwood Estates; Chemeketa Park; Aldercroft Heights; and Holy City. These communities were originally platted as second-home subdivisions in the 1920's and 1930's; Holy City was established as a religious colony. Although the subdivisions were created 50 years ago

some in-filling development is still taking place. The area has a high degree of socio-economic mix, including a broad age range. The residents are described in various reports as having a common preference for rural living and privacy, away from the more constrained living conditions of urban areas.

Planning department estimates show a population of 4,000-5,000 in the Lexington Hills area. Development is fairly dense in some areas, with lot sizes as small as 4,000 square feet. This development pattern, combined with the geographic and geologic characteristics of the area, has resulted in severe problems affecting the health and property of area residents. These problems and their relationship to present and future development have been well documented in studies by County departments and other interested groups and agencies.

Specific problems and conditions limiting the development potential of the Santa Cruz Mountains and affecting existing development include:

- Inadequate water supply
- Septic tank failures and contamination from cesspools
- Soil conditions limiting the use of septic tank disposal systems
- Acute fire hazards
- Inadequate access, particularly for emergency vehicles
- Unstable geologic conditions

Currently, the County Department of Public Works is conducting a study of access problems in the Lexington Hills area. The County Health Department is working to correct existing septic tank failures and is stringently enforcing current standards for septic tank system use. Both of these efforts can be expected to lead to lower densities of future development in much of the Lexington Hills area.

San Tomas

The San Tomas area near Campbell includes a number of small, multi-block areas in the southwestern portion of the City. Although Census information for the area cannot be separated from that for contiguous incorporated territory, field inspection shows a wide variation in housing quality and, presumably, in values and rents. Housing types range from small rural-type units with numerous owner-built additions and accessory structures to recently constructed, medium sized houses of above-average quality. Street improvements are generally limited to asphalt paving.

The San Tomas Elementary School has the largest proportion of minority students in the Campbell Union School District, with about 17 percent minority group members.

The Campbell City Planning Department describes San Tomas residents as generally opposed to annexation. The area is served by Sanitary District 4. The level of services provided by the County and the special districts apparently is acceptable to area residents.

Barron Park

Barron Park is an unincorporated area of 351 acres surrounded by the City of Palo Alto. It is bounded by El Camino Real on the north, by Stanford lands on the west and south, and roughly by Los Robles Avenue, Amaranta Street, and Arastradero Road on the east. The area had about 1,375 housing units in 1970, and a population of 3,800. Although over 80 per cent of the housing units are single-family structures, only two-thirds of the total housing supply is owner-occupied. The area has a broad range of housing values and rents, and has a substantially mixed population, in terms of race, ethnicity, income and age. The Barron Park Elementary School had a minority enrollment of 14%. The socio-economic diversity of Barron Park is a source of community identity and pride.

Barron Park has an active citizens' organization which has prepared a community study and a draft general plan. The purpose of these efforts is to establish policies and guidelines for the protection of the existing development character of Barron Park, either in its present unincorporated status or after annexation to Palo Alto. Among the major objectives expressed in the study and the plan are preservation of the existing housing supply and prevention of further multi-family development.

Measures proposing annexation to Palo Alto have been defeated twice by Barron Park residents. The position of Palo Alto on eventual annexation of Barron Park is that initiative for the action should come from residents of the community. The Interim Housing Element prepared by the Palo Alto City Planning Department recommends including Barron Park and other unincorporated residential areas (Stanford faculty subdivisions) within the Palo Alto sphere of influence in the final city Housing Element and other housing studies.

San Martin

San Martin is an unincorporated village serving as a small commercial center for the surrounding agricultural area. The community lies midway between Morgan Hill and Gilroy on U.S. 101. A proposal to incorporate San Martin was turned down by LAFCO (Local Agency Formation Commission) in 1971; currently LAFCO designated spheres of influence of the cities of Morgan Hill and Gilroy show the San Martin area to be divided between these two urban centers at some future point in their development.

The population of the San Martin planning area was 4,210 in 1970. About 1,450 (34%) were identified as being of Spanish language or having Spanish surnames. Enrollment in the San Martin Elementary School included 41% minority students, primarily of Spanish language or surname.

The planning area has about 1,270 year-round housing units. About two-thirds of the housing units are owner-occupied, and one-third are rented. The median value of owner-occupied houses is \$25,500; the median monthly contract rent is \$82. Homes owned by Spanish language or surnamed households had a median value of \$18,100; rents were comparable to those of all renters in the planning area.

The median income for all families in the planning area was \$9,653. Families of Spanish surname or Spanish language had a median income of \$8,395. There were 128 families identified as having incomes below the poverty level; 32 of these were Spanish language or surnamed families.

RURAL UNINCORPORATED AREAS IN THE SOUTH VALLEY

In the South Valley, the housing supply reflects the agricultural and small town development patterns of the area. While suburban development is occurring in and around Gilroy and Morgan Hill, a considerable amount of rural housing is still found. Some of this housing is related to agriculture, while large-lot and estate type of development is also occurring, particularly in the foothill areas.

The house values and rents reported for the area reflect the diversity of residential types. The median value of owner-occupied housing in unincorporated areas of the South Valley is \$29,500; above the county-wide median and the city median. Rents, on the other hand, are very low; the median rent, as reported in the 1970 Census is \$83 a month, about half the median for the County. About 40% of the housing units are renter-occupied.

Overcrowding is a major housing problem in the unincorporated areas of South County. One-fourth of the housing units are defined as overcrowded. Since South Valley renter families are much larger than home-owner families (4.9 versus 3.0 persons per unit), overcrowding can be expected to be most prevalent in rental housing. A significant number of units (7% according to the Census) have inadequate plumbing and heating, and again, this problem is virtually confined to rental housing. Field observation shows that some of the housing rented to farm workers is badly deteriorated, often severely overcrowded, and located in substandard environmental conditions. Bathing and toilet facilities are typically shared by several families. Much of this housing was built to seasonal occupancy standards, but is now being occupied year-round by permanent residents. Sometimes housing is supplied to farm workers as part of their wages; in such instances, the farm worker has little opportunity to obtain improved housing if the unit provided is substandard because his cash income is too low to permit payment of rent. The conditions described above are probably representative of only a limited amount of the year-round housing available to farm workers. Nevertheless, this description does indicate the extreme in inadequate housing conditions in the South Valley.

Incomes in South County are lower than in the County as a whole, and are lower in the unincorporated areas than in the two South County cities, Gilroy and Morgan Hill. Figure 9, on page 30, shows that the proportion of households earning less than \$5,000 is increasing in the Coyote, Morgan Hill, and East Gilroy census tracts.

The Census shows that about 40% of the population in the unincorporated South Valley is made up of minority group members, with persons of Spanish language or Spanish surname constituting virtually

the entire minority population. Enrollment in the San Martin Elementary School, for example included 41% minority students. Comparing school enrollment information for all Morgan Hill Unified District elementary schools, including San Martin Elementary, the largest minority concentrations are found in San Martin and in the east side semi-rural area served by Nordstrom Elementary School. These observations indicate that minority group members make up a larger proportion of the rural population than of the urban population in South County. Census data confirm this pattern of population distribution.

Programs of the Farmers Home Administration, described on page 24 of this report, were intended to assist rural families in obtaining improved housing, either through aid for building or purchasing a house or through rent reductions made possible by loans, grants and low-cost financing. Non-profit groups, farmers and associations of farmers, housing authorities and cooperatives are among the organizations that can develop housing with FmHA assistance. With one minor exception, however, these programs have not been utilized in Santa Clara County. Land costs, the very low incomes of farm workers, and the relatively small size of individual farming operations have been important economic constraints on use of FmHA programs. Also, as noted previously, the allocation of FmHA funds was placed under a federal moratorium in January 1973, and the programs are recommended for suspension in the 1974 Federal Budget. Unless these actions are reversed, other means of financing low-cost rural housing will need to be developed.



CONCLUSIONS AND IMPLICATIONS FOR COUNTY POLICY TOWARD UNINCORPORATED AREAS

Fourteen percent of the total stock of housing (46,000 units) in Santa Clara County was in unincorporated territory at the time of the 1970 Census. This housing is under the sole jurisdiction of the County in matters concerning exercise of the police powers, including enforcement of the building code and issuance of variances and use permits. Also, as the general purpose government of the unincorporated territory, the County is the only jurisdiction capable of carrying out community development programs to improve housing and the general neighborhood environment in unincorporated areas.

New residential development will continue to take place in the County, as permitted by existing zoning. Within the agricultural zoning categories themselves, requests for rezonings and for granting of variances will continue to be brought before the Planning Commission. In anticipation of this continuing involvement in zoning, explicit consideration needs to be given to both developing means of preserving housing in rural areas in a rural condition with respect to service demands, and to facilitating carefully limited rural residential development served with a rural level of services. Actions to carry out these objectives will need to be based on thorough evaluation of the areas of existing and anticipated rural housing as to their development holding capacity at a rural level of service. Policy and administrative tools needed to implement these

objectives might include zoning ordinance revisions based on a form of environmental performance criteria, and stringent control over the extension of all public services and utilities.

Although the County has declared a policy strongly supporting the annexation of urban development to cities, some of the existing housing in unincorporated areas will not be annexed for a considerable number of years. Depending upon housing and neighborhood conditions, and trends in the individual areas, specific programs should be designed to deal with these needs for the interim period before annexation. Joint planning programs involving the County, the unincorporated area, and the city expected to annex the area may be appropriate for some of the unincorporated areas.

Many of the urbanized unincorporated areas have a high degree of resistance to city annexation. A variety of approaches and actions might be developed to overcome this obstacle, including support of state legislation to permit cities to annex unilaterally smaller unincorporated enclaves, and adoption of differential service charges for municipal services provided by the County only to residents of unincorporated areas as distinct from services provided by the County to all residents. County-endorsed annexation campaigns, such as the one mounted to annex the Mayfair Area to San Jose, might be appropriate for large unincorporated pockets in urban areas.

Substandard rural housing conditions, found primarily in the South Valley, require concerted County efforts to secure replacement housing units and upgrade environmental conditions.

The above findings suggest some major directions for County policy regarding areas of existing residential development and rural land use under County jurisdiction. The issues presented here will continue to concern County government, since it is unlikely that all currently unincorporated developed areas will be annexed by cities, at least for some time to come. Because of this continuing County involvement in housing, specific policies and programs are recommended in Chapter VI, relating the powers of the County to the housing-related needs of the unincorporated areas.



South Valley



HOUSING PROBLEMS AND OBSTACLES

HOUSING SUPPLY, DEMAND, AND COST

Problem: Santa Clara County has an insufficient supply of housing priced below \$27,000 or renting for less than \$150 per month. The short supply is most critical for low- and moderate-income households, since the private market appears unable to build units priced lower than \$17,500.

Obstacles

- The costs of land, labor, and materials result in housing costs which exclude many families from new, market priced housing.
- Much of the existing supply of housing has appreciated in price beyond the means of low- and moderate-income families.
- Funding of federally subsidized housing for low- and moderate-income households has not been sufficient to meet the need.
- Article 34 of the California State Constitution has effectively blocked the development of Public Housing for low-income people by requiring voter approval of Public Housing developments proposed by local Housing Authorities.
- The supply of low- and moderate-cost housing is being reduced through demolition for both private redevelopment and public projects.

Problem: The costs of housing are continuing to rise at all price and rent levels. This affects lower-income households most sharply.

Obstacles

- The costs of producing housing have increased about 50% since 1965.
- Land costs have increased by roughly 50% countywide over the same period.
- Existing housing is increasing in value rapidly.
- At present, very little housing is being produced in Santa Clara County by the private market for less than \$17,500. As a result, the purchase of new housing is not realistically available to households with annual incomes below \$8,750.
- Much existing housing originally marketed to lower-income households has appreciated in price beyond the present means of similar families currently seeking housing. Also, lower-priced housing is appreciating at a more rapid rate than is medium- or high-priced housing.
- Given the high costs of housing development in Santa Clara County, housing produced with federal subsidies is effectively limited to households at or near the maximum incomes eligible for the subsidy program.

Problem: Low- and moderate-income households are unable to exert an effective demand for housing.

Obstacles

- Lending practices tend to favor newer, middle-income neighborhoods, frequently making it difficult to obtain mortgage loans in areas perceived to offer higher risk.
- Current interest rates of over 7% exclude from the conventional and FHA sales market lower middle- and moderate-income households who could have purchased homes during the 1950's and early 1960's when interest rates and therefore monthly carrying costs were lower.
- There is no central source of information about the availability of lower-priced housing, including federally assisted housing.

Problem: Production of housing under low- and moderate-income housing subsidy programs needs to be increased in order to meet the housing needs of families and individuals priced out of decent housing in the private market.

Obstacles

- Article 34 of the State Constitution has blocked the development of new low-income housing by the County Housing Authority.
- The existing HUD and Farmers Home Administration programs of housing assistance have been placed in a funding moratorium.
- The only programs available to the County for increasing the supply of low- and moderate-income housing have been federal programs; the State of California has no programs of assistance for producing such housing.
- Local governments are limited in their abilities to directly influence development proposals for the purpose of increasing the supply of low- and moderate-income housing.
- Housing development corporations are needed to improve the delivery of subsidized housing with high quality design and proper management programs.

Problem: The housing that has been produced under the federal subsidy programs has been overly concentrated in a few areas of the County.

Obstacles

- There is no accepted countywide policy on the location of subsidized housing to guide sponsors in choosing sites, to assist HUD in setting funding priorities, and to provide a basis for housing planning among the cities in the County.
- Additional agencies able to acquire land for land-banking and site cost write-downs are needed to facilitate a countywide distribution of subsidized housing.

HOUSING CONDITION

Problem: There is a significant number of substandard housing units in the County.

Obstacles

- Although the County has adopted an up-to-date housing code, the lack of alternative lower-cost housing makes vigorous code enforcement unrealistic since displaced families would have little likelihood of obtaining improved housing.
- Current building, plumbing, electrical, and other codes tend to discourage the rehabilitation of older units, because of the large expenditures needed to bring structures built under less exacting codes to current standards.
- Home improvement loans are typically unavailable to or beyond the means of low- and moderate-income households.
- The likelihood of an increased tax assessment acts as a deterrent to housing rehabilitation on the part of both owner-occupants and owners of rental properties.

SOCIAL CONSIDERATIONS

Problem: Housing development patterns in the County tend to stratify the population by income.

Obstacles

- Conventional zoning encourages development of similarly priced units within zones.
- Large tract development, as usually practiced, tends to produce uniformity in housing types and prices.
- Developers and lenders prefer to market a subdivision in a fairly narrow price range.

Problem: There is a lack of adequate resources and mechanisms to overcome a number of social problems related to housing.

Obstacles

- Discrimination in sales and rental of housing continues to be a problem for members of minority groups and others.
- The only agencies now empowered to enforce fair housing laws are HUD and the State's Fair Employment Practices Commission. Neither of these agencies maintains an office in this County. Hence, persons experiencing housing discrimination have no visible or accessible enforcement agency from which to seek relief.



- The State's Rumford Act preempts the field of housing discrimination, preventing local governments from taking direct action against housing discrimination.
- The few private groups active in fair housing are too limited in personnel and funding to adequately serve the countywide need.
- Field checks by a private fair housing group have shown a high level of discrimination by apartment managers, and a survey by the University of Santa Clara has indicated that many realtors are poorly informed about the existing fair housing laws.
- There is a lack of satisfactory mechanisms operating in the County to resolve tenant-landlord conflicts.
- Housing counseling and housing related legal assistance for low-income households are fragmented and practically nonexistent. They are inadequate for the needs of County residents.

HOUSING POLICIES AND PROGRAM ACTIONS

INTRODUCTION

The County of Santa Clara is concerned with housing in two major and distinct ways. The specifics of each have been outlined with attention to the role of the County government as it relates to the total community and as it relates to the unincorporated areas in a manner parallel to the role of city government in housing activities. One of the areas of concern is with the general state of the countywide housing market and with the needs of all County residents as housing consumers. The countywide concerns are of particular importance in the County Housing Element since the County is uniquely able to provide services and programs across municipal boundaries to all County residents. The other major area of housing concern on the part of the County government is with the regulation of land use and building conditions in the unincorporated area, under the police power. The housing concerns for the unincorporated area are distinct from the countywide concerns in that they serve only residents of the unincorporated area, in much the same manner that city housing policies are limited to their residents. The recommendations for policies, actions, and programs included in this chapter are divided into these two areas of concern.



THE COUNTYWIDE ROLE IN HOUSING

Santa Clara County shall provide programs, services and leadership necessary to remedy the social problems associated with housing and to establish a climate in which an adequate supply of housing for all County residents may be realized. The recommendations are intended to help achieve the housing goals and objectives of the County, and have been grouped into five basic program areas: fair housing; housing services; housing supply; rehabilitation; and public facilities.

To Achieve an Open and Fair Housing Market

Policy

The County of Santa Clara shall continue its efforts to eliminate discrimination in the sale and rental of housing.

Requests for Actions

The County of Santa Clara requests that the State Fair Employment Practices Commission establish an office in Santa Clara County to provide adequate enforcement of the Rumford and Unruh Fair Housing Acts.

The County of Santa Clara supports amendment of the Rumford Fair Housing Act to allow local enforcement of fair housing.

The County encourages the Real Estate Commissioner and County real estate boards to undertake an active program to inform their members of the provisions of state and federal laws against housing discrimination.

Program Recommendations

The County Human Relations Commission shall promote improved public awareness of fair housing laws and assist persons experiencing housing discrimination to secure their legal rights.

The possibility of establishing a countywide apartment owners and managers licensing act should be considered by the Human Relations Commission. Such an act should place reasonable requirements on the operation and management of apartment complexes including disclosure of rental terms and conditions and a requirement that licensed owners and operators not act in violation of housing-related laws including laws on housing discrimination.

To Provide an Improved Level of Housing- Related Services

Policies

The County of Santa Clara shall seek means to facilitate the resolution of conflicts between landlords and tenants.

The County of Santa Clara shall expand its efforts to assist families in need of lower-priced housing to find suitable shelter.

The County of Santa Clara shall seek expanded counseling and legal services related to housing for lower income residents.

Program Recommendations

The County Human Relations Commission shall explore means to facilitate the resolution of conflicts between tenants and landlords including the possibility of a countywide tenant-landlord hearing committee. The tenant-landlord hearing committee should be composed of both tenant and landlord interests and serve as a public arbitrator of conflicts brought voluntarily to it by disputing parties.

The activities of the County Housing Authority should be expanded to include a central source of information on the availability of subsidized low- and moderate-income housing in the County, to serve households in need of such housing and to provide information to County agencies conducting relocation programs, social services and planning activities.

The County encourages the formation of a countywide housing services center to provide expert counseling and legal assistance in housing matters to lower income residents. Such a function should be assigned high priority for federal community development revenue sharing money, should it become available. Private funding should also be sought.

To Expand the Supply of Housing for Low- and Moderate-Income Households

Policies

The County of Santa Clara shall encourage the expansion of the supply of low- and moderate-income housing.

The County of Santa Clara shall support efforts to achieve a more balanced supply of housing, in order to expand the choice of residential location for low- and moderate-income households.

Requests for Action

The County of Santa Clara strongly supports the creation of a State Housing Finance Agency to help assure adequate mortgage financing for both subsidized and market rate home loans and construction loans, and will support legislation to establish such an agency.

The County of Santa Clara urges the federal executive branch to repeal the January 1973 moratorium on housing subsidies administered by the Department of Housing and Urban Development and to continue to work to develop improved methods of increasing the supply of housing for families and individuals of low- and moderate-income, so that the national goal of a decent home in a suitable living environment can be achieved without further delay and hardship for households disadvantaged in the housing market.

The County of Santa Clara supports the repeal of Article 34 of the State Constitution.

The County of Santa Clara encourages the continuation and expansion of high risk mortgage loan pools created by local lending institutions, such as the Savings Association Mortgage Company (SAMCO).

The County of Santa Clara encourages the Planning Policy Committee of Santa Clara County to continue its work to establish a countywide program for the location of future subsidized housing throughout the County.

The County shall continue to encourage the Association of Bay Area Governments in its regional housing program, including its efforts to bring about a more balanced distribution of low- and moderate-income housing in the Bay Area region.

Program Recommendations

The County of Santa Clara endorses the establishment of a non-profit Housing Development Corporation and Revolving Loan Fund for the purpose of developing low- and moderate-income housing throughout the County. Utilization of community development revenue sharing money for this purpose shall be explored as a possible source of public funding.

Continued operation of the County Housing Authority shall have highest priority in future housing programs of the County.

To Encourage Housing Rehabilitation

Policy

The County of Santa Clara encourages the maintenance and where necessary the rehabilitation of the existing housing stock of the County.

Requests for Actions

The County supports introduction of legislation at the state level to provide property tax incentives for residential rehabilitation without decreasing County revenues.

The County of Santa Clara supports the creation of a State Housing Finance Agency and recommends that this agency be empowered and adequately funded to provide financing for rehabilitation as well as new construction and to make direct mortgage loans to purchasers of rehabilitated housing and housing in older neighborhoods.

Program Recommendations

The County should seek funding to establish a countywide housing rehabilitation agency to provide technical assistance and loans or loan insurance for housing rehabilitation.

To Insure the Provision of Adequate and Accessible Public Facilities to Serve Residential Areas

Policies

Existing and future urban development should be in cities.

Urban expansion should be planned and programmed by cities on a staged basis, in cooperation with the County, and urban service area boundaries should be approved by LAFCO.

Program Recommendation

The County Transit Authority is urged to give high priority to transit routes which serve existing and planned residential areas providing housing opportunities for low- and moderate-income families and individuals.

THE COUNTY HOUSING ROLE IN THE UNINCORPORATED AREA

Urban Development Policies

There are two existing policies which condition the role of Santa Clara County in housing issues in the unincorporated area:

- Existing and future urban land uses should be in cities (adopted by the Board of Supervisors in 1967 and reaffirmed in 1972).
- Urban expansion should be planned and programmed by cities on a staged basis, in cooperation with the County, and urban service area boundaries should be approved by LAFCO (adopted by LAFCO in 1971).

Urban service areas, as utilized in Santa Clara County, define the geographic area within which each city in the County shall supply or extend urban services; the urban service areas, then define the areas appropriate for "urban land uses." Both incorporated and unincorporated lands are included in the urban service areas, and it is intended that the urban service areas contain sufficient land to satisfy growth demands for a five year period. The urban service area concept, combined with County policy that "existing and future urban land uses should be in cities" suggests that policies for the unincorporated area should be different for land within the urban service areas of cities and for land outside urban service areas.

Land Within an Urban Service Area: This is the land appropriate for urban development. Any new urban residential development should take place within the urban service area of a city, and any unincorporated land within an urban service area should be annexed to the city prior to development. Since this land should be annexed to the city, planning and land use decisions affecting new housing development within the urban service area should be guided by city policy. County housing policy for the unincorporated areas within urban service areas will be directed primarily toward the residential development which has already taken place. Emphasis will be placed on maintaining the existing housing stock and on facilitating the eventual annexation of the existing housing stock by the cities.

Land Outside Urban Service Areas: This land is not immediately available or appropriate for urban development. The major portion of this land is unincorporated and may be typified as either agricultural, rural-residential, mountainous, or remote. Any new housing outside the urban service area boundaries should not require urban types or levels of service. Planning and land use controls for unincorporated land outside

urban service areas are primarily matters of County concern. Policies for this land should stress environmental standards for new housing, elimination of deficiencies in the existing housing stock, and special housing needs of the residents.

In addition to the policies singled out for application in the unincorporated area, it should be noted that the housing policies and actions of a countywide nature described earlier in this chapter apply equally to the entire County, and are therefore of benefit to housing in the unincorporated areas as well as in the incorporated areas.

Policies and Actions for Unincorporated Areas Within Urban Service Areas

Any new housing to be developed must annex to the city, and should be included in the land use and housing planning of the cities. Existing housing in the unincorporated area should be encouraged to annex to the city, and the County should seek to maintain the quality of this already existing housing until annexation is realized.

Policies

In enforcing the County's housing code, care shall be taken to minimize the potential hardships to persons living in substandard housing. Aggressive programs of code enforcement shall not be undertaken until such time as the supply of lower priced housing is sufficient to allow suitable replacement opportunities for displaced families or until there are adequate sources of assistance to accomplish code compliance without financial hardships.

Pursuant to Section 7265.3 of the California Government Code, the County of Santa Clara shall declare displacement due to housing code enforcement a public action for which relocation assistance shall be made available by the County.

The County of Santa Clara shall actively encourage the annexation of unincorporated urban areas to cities.

Program Recommendations

The staffs of the Departments of Public Works and Planning shall be directed to estimate costs and program requirements needed to provide relocation assistance to families displaced by housing code enforcement.

At such time as appropriate the national models of rehabilitation codes for the upgrading of older housing are made available, the County shall study the feasibility of adopting and implementing such a code.

Development proposals involving a significant amount of residential displacement for which an Environmental Impact Review (EIR) is required shall have as a requirement of the EIR an assessment of the replacement housing opportunities available for the displaced households and a statement of the provisions to be made to assist the displaced households in obtaining replacement housing.

The County shall seek legislation facilitating the annexation by cities of unincorporated territory within urban service areas through unilateral annexation by cities or other means.

The County shall reevaluate its taxing policy to determine the feasibility of applying separate County taxes for the support of municipal type services provided by the County only to residents of unincorporated areas, as distinct from services provided by the County to all residents. City residents should not subsidize, through County taxes, the provision of municipal services only benefiting residents of the unincorporated area.

The County shall seek joint programs with cities and with residents of unincorporated areas within urban service areas for the purpose of planning for and facilitating the annexation of unincorporated urban areas to cities.

Policies and Actions for Housing Outside Urban Service Areas

The County will retain full land use planning control of the areas outside urban service areas. The primary land uses in these areas will be of a rural nature. Three major issues for housing in these areas are: Assuring that adequate health and safety standards are met without the necessity of providing urban services; Providing for the replacement or rehabilitation of substandard housing; Providing low-cost housing opportunities for rural farm workers. The first of these concerns, providing adequate housing quality with rural service levels, is a major topic of planning studies in the South County area and the Santa Cruz Mountain area, and for the Urban Development and Open Space Planning Committee. These planning studies should determine the major conditions to be placed on housing development in these rural areas.

Policies:

The County shall limit residential development outside urban service areas to development that does not require the extension of urban services or facilities.

The County shall seek the improvement of substandard housing conditions in rural areas.

The County shall seek means to provide adequate housing opportunities for rural farm workers.

Request for Action

The County of Santa Clara urges the Federal Administration to reinstate funding for housing assistance through the Farmers Home Administration.

Program Recommendations

Enforcement of the County housing code shall be declared a public action for which displaced persons may be eligible for relocation assistance, and in enforcing the code, the County shall seek to avoid the imposition of economic hardships on persons now living in substandard housing.

The County shall work closely with the farm labor camp registration and inspection program of the California Department of Housing and Community Development to secure amelioration of substandard housing conditions reported by the state inspector. If it is determined that the County is more able than the State to conduct this program effectively, the County shall assume responsibility for this function, as provided for under Section 2640 of the California Labor Code.

Only mobile homes bearing the insignia of the Division of Codes and Standards of the California Department of Housing and Community Development may be permitted to be installed as accessory dwelling units and facilities installed to accommodate such mobile homes shall be installed and maintained in conformance with the State and County standards.

The County shall explore with the County Housing Authority means for providing publicly assisted housing to replace substandard farm worker housing, especially in the South County area. Programs to provide assistance through federal community development revenue sharing shall be developed if appropriate.

In order to assure adequate coordination of public services, any rural residential subdivision or land use change of 5 or more residential building sites shall be referred for 30 days to any special district or school district serving the property for review prior to granting of any permits or authorization by the County.

